# Social Security

Software Specifications and Edits for Annual Wage Reporting--Tax Year 1997



### Changes to Note for Tax Year (TY) 1997

The following summarizes the significant changes to the TY 1997 instructions.

<u>Taxable Social Security Wage Base</u>: The taxable Social Security wage base increased to \$65,400. This change affects the standards, specifications and edits for Form W-2, boxes 3, 4 and 7. The rates for Social Security tax and Medicare tax remain 6.2 percent and 1.45 percent respectively (page 1).

Forms W-2c and W-3c: The mailing address for filing correction forms has changed (page 4).

<u>Enumeration Verification System (EVS)</u>: A section on the Enumeration Verification System has been added to Chapter 1 (page 7).

<u>Inquiries</u>: The mailing ZIP code for the AWR Software Standards has changed (pages 9 and 111).

<u>Preparing and Submitting Annual Wage Reports</u>: For clarification, the term "12 pitch font" was changed to 12 characters per inch (page 12).

Extension to File Copy A: Information on extension of time to file Form W-2 (Copy A) has been included (pages 13 and 49).

<u>Terminating Business:</u> Clarification of when to file has been added (pages 13 and 49).

<u>Chapter 3--W-2 Box e</u>: Additional examples of compound surnames and single-letter prefix surnames have been added (page 21 and 22).

Advance Earned Income Credit (EIC): The maximum amount of the advance EIC increased to \$1326.00. This change affects the standards, specifications and edits for Form W-2, box 9 (page 29).

<u>W-2 Box 13</u>: Three new codes (R, S and T) were added to designate the entry of employer contributions to a medical savings account, employee salary reduction contributions to a simple retirement account and for employer provided adoption benefits (page 33).

<u>Household Employers</u>: All household employers, even those with only one household employee, must file Form W-3 with their 1997 Forms W-2 (page 37).

<u>Form W-3--Boxes 13 and 14 have been eliminated</u>: Entries are not needed for Adjusted total Social Security wages and tips (formerly box 13) and Adjusted total Medicare wages and tips (formerly box 14) (page 47).

Where to File: The mailing address for filing Forms W-3 and W-2 (Copy A) has changed (page 49).

When to File: Copy A of TY 1997 Forms W-2 and Forms W-3 must be filed with SSA by March 2, 1998 (page 49).

<u>Appendix A</u>: The magnetic media specialists' telephone numbers have been updated (page 109).

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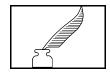
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### INTRODUCTION



### Wage Reporting and Social Security

Every time you issue a W-2, <u>Wage and Tax Statement</u> to one of your employees and send the corresponding form (Copy A) to the Social Security Administration (SSA), you contribute to the amount of Social Security benefits that will be payable one day to that employee or his/her family. That's because all Social Security benefits are based on earnings that you and other employers report to SSA.

Since November 24, 1936, when John Sweeney received the first Social Security number (SSN), SSA has issued more than 388 million numbers. These SSNs translate into a massive system of record keeping to update the records for each and every wage earner. You are an integral partner in this effort. Accurate reporting of W-2 information ensures that your employees and their families enjoy the protection of the Social Security benefits package your matching contributions help provide.



### The Taxes You Pay

For 1997, the employee tax rate for Federal Insurance Contributions Act (FICA) is 7.65 percent. Of this rate, 6.2 percent is used to finance Social Security retirement, disability and survivors benefits. The remaining 1.45 percent finances the Medicare program. As an employer, you also pay FICA taxes matching that rate. In 1997, the wage base subject to the Social Security tax is \$65,400. Employees who earn more than that must continue to pay the Medicare portion of the FICA tax in wages with matching employer contributions. Beginning with TY 1994, there is no limit on the amount of Medicare wages and tips that are subject to Medicare tax.



### The Employee Benefit Package

Social Security may mean little more to you, the employer, than the matching taxes you pay to help provide retirement benefits for your employees. This however, is only part of the picture. In fact, Social Security means a lot more to your employees than just retirement and a lot more to you than simply paying taxes. When combined with other benefits you may offer to your employees, Social Security becomes part of a comprehensive "Benefit Package" which you invest in for your employees. Whether

your employees are full-time, part-time, seasonal or temporary, all Social Security wages and tips and Medicare wages and tips that are reported will increase any potential benefits. Here is an idea of the benefits you are helping your employees buy with your matching Social Security tax:

- o Retirement Insurance: Monthly benefits for retired workers as early as age 62,
- o <u>Disability Insurance</u>: Monthly benefits for people of all ages, including children, who have a severe disability;
- o <u>Family Insurance</u>: Monthly benefits for the spouses and children of retired or disabled workers;
- o <u>Survivors Insurance</u>: Monthly benefits for the widow or widower, and children, of a deceased worker; and
- o <u>Medical Insurance</u>: Benefits to help pay for hospital bills as well as limited coverage of skilled nursing facility stays, hospice care and other medical services.



#### Conclusion

You can see that accurately reporting your employees' W-2 information is a lot more than just a tax matter because it directly affects the eligibility for and amount of any Social Security and Medicare benefits payable to your employees and their families. That is why we continually emphasize the importance of recording the right employee name, SSN and wages for each of your employees. Apart from providing a valuable benefit to your employees, accurate wage reporting saves you from the productivity loss and administrative problems associated with correcting errors on W-2 forms. It can also save you from penalty assessments by the Internal Revenue Service (IRS) for inaccurate or late filing. To help improve the integrity of the wage reporting process, we compiled software standards, specifications and edits for use by employers and developers of wage reporting software.

### **CHAPTER 1 - GENERAL REQUIREMENTS**



### **Purpose**

This document prescribes standards, specifications and edits for software used to produce paper Form W-2, <u>Wage and Tax Statement</u> and paper Form W-3, <u>Transmittal of Wage and Tax Statements</u>. It provides employer human resource departments with guidance necessary to properly compile payroll data used to produce Forms W-2/W-3 and furnishes programmers with requirements for properly producing the physical W-2/W-3 forms. It also provides paper reporting examples which illustrate the most common types of wage reporting errors we are trying to prevent and the relationship between the data on Forms W-2/W-3 and Form 941, <u>Employer's Quarterly Federal Tax Return</u>. We encourage you to use software which complies with the standards, specifications and edits in this publication. By complying with these guidelines, you can help:

- o Improve the accuracy of wage records used by SSA to determine eligibility for and amount of Social Security and Medicare benefits;
- o Reduce resources used by the private sector and the Federal Government in administering the annual wage reporting process and later on in the SSA/IRS reconciliation process (when wage amounts reported to SSA and IRS are compared); and
- o Avoid penalties under the Internal Revenue Code for late or inaccurate employer wage reports.



### **Background**

Since tax year (TY) 1978, employers have been required to submit Forms W-3 and Copy A of Forms W-2 directly to SSA for crediting employee wage records. Each year, a considerable number of reports require correction by SSA, causing either delays in posting data to employee wage records or problems in reconciling data between SSA and the IRS. The most common errors are:

- o Omitting or using an invalid Social Security Number (SSN);
- o Omitting or using an invalid Employer Identification Number (EIN);

- o Omitting names on employee reports or using an inaccurate employee name that does not agree with the name on the employee's Social Security card;
- o Not submitting wage reports to SSA for various reasons, such as employers (1) going out of business and not submitting Forms W-2, (2) treating an employee as a self-employed "independent contractor", (3) overlooking the need to file wage reports for household work, or (4) not issuing Forms W-2 for wages under \$600;
- o Inappropriately submitting Forms W-2, instead of filing Form W-2c, <u>Statement of Corrected Income and Tax Amounts</u>, to correct previously reported wage data;
- o Submitting Forms W-2 (a) with the incorrect Tax Year (TY), (b) without an accompanying Form W-3 or (c) on nonstandard forms;
- o Submitting reports to the incorrect address (some employers send the W-2 statements to a State taxing authority, or to the IRS, and not to SSA);
- o Preparing paper W-2 forms which are not machine readable by SSA's scanning and imaging equipment; and
- o Creating out-of-balance conditions between Form W-2 amounts and either
  (a) Form W-3 summary totals or (b) the sum of the four quarterly Form 941 reports
  (either SSA or IRS must resolve reconciliation discrepancies between W-2 and 941 data with employers).

When you inform IRS of correction(s) to previously reported Social Security or Medicare wage data (Form 941c, <u>Supporting Statement to Correct Information</u>), you must also determine whether similar reports (Form W-3c, <u>Transmittal of Corrected Income and Tax</u> Statements and Form W-2c) should be submitted to SSA.

Mail all paper Forms W-2c/W-3c to the appropriate address (depending on the mail service used) shown below.

<u>If United States Postal Service-Send to:</u>

If Other Carrier (e.g.FedEx, UPS)-Send to:

Social Security Administration Data Operations Center P.O. Box 3333 Wilkes-Barre, PA 18767-3333 Social Security Administration Data Operations Center Attn: W-2c Process 1150 E. Mountain Drive Wilkes-Barre, PA 18702-7997



#### **Electronic Access**

You can obtain additional copies of this SSA publication by using a personal computer and modem to access either the SSA or IRS electronic bulletin board systems (BBS). You can access the SSA-BBS by dialing (410) 965-1133 or the IRS-BBS by dialing (304) 264-7070. Internet subscribers can read and print this publication directly from the Employer Information section of *SSA Online* @ WWW.SSA.GOV.



### **Magnetic Media Filing**

This document does not include magnetic media filing requirements. For copies of TY 1997 magnetic media filing instructions for W-2/W-3 information and W-2c/W-3c correction information, you should contact your respective magnetic media specialist listed in Appendix A. You may also obtain this information through the SSA or IRS BBS or through SSA's Website @ WWW.SSA.GOV.

SSA encourages employers and third-party processors who use software to produce paper Forms W-3 and Copy A of Forms W-2 to convert to diskette reporting as an alternative to filing paper forms. Filing via diskette offers advantages to both the public and SSA by eliminating the need to produce and mail many individual paper forms and permitting fast, accurate data entry and processing. Further, many software programs available today contain edits and other safeguards to help ensure that the wage and tax data produced is accurate and complete. Please contact your magnetic media specialist to obtain a copy of SSA's diskette reporting specifications.

Beyond submitting diskette wage reports, SSA is piloting an effort to electronically transmit W-2 (Copy A) and W-3 wage and tax data via SSA's Online Wage Reporting Bulletin Board System (OWRBBS). This pilot is accepting electronic transmissions <u>only</u> in formats that adhere to SSA's magnetic media <u>diskette</u> specifications. SSA will keep the public apprised of efforts to expand the OWRBBS initiative beyond a pilot mode.

### **Paper Correction Reports**

Guidelines for correcting Forms W-2 and W-3 are contained in SSA publication number 31-031, <u>Software Specifications and Edits for Correcting Annual Wage Reports</u>. These guidelines prescribe specifications and edits for paper W-2c and W-3c reports. The guidelines also include examples of correctly prepared W-2c and W-3c reports.



#### **Penalties**

The law requires IRS to consider imposing penalties based on a multi-tier system. IRS Publication 15, Circular E, Employer's Tax Guide, provides a complete description of the penalty provisions. The penalty amounts are based on when correct information is filed. SSA will advise IRS about dates of receipt of all late filed paper reports or magnetic media transmittals; IRS will determine if penalties are applicable.



### **Personal Earnings and Benefit Estimate Statement (PEBES)**

Individuals can request a PEBES from SSA at any time. However, in February 1995, SSA automatically mailed a PEBES to people age 60 or older who (1) have earnings credited to their SSN and (2) are not receiving Social Security benefits. In October 1995, SSA automatically mailed PEBES to people who reached age 60 during the year to help people nearing retirement become better informed about what they can expect to receive in Social Security benefits. By the year 2000, eligible individuals age 25 and older will automatically receive a PEBES each year.

PEBES displays an individual's earnings each year from the SSA earnings record, based on self-employment income or Forms W-2 provided by employers. PEBES also provides an estimate of retirement, survivors, and disability insurance benefits an individual (and family) may be eligible for. The earnings record has a direct bearing on the eligibility for and amount of Social Security benefits. It is therefore essential that employers submit accurate Form W-2 information to SSA. For example, when name or SSN information on the Form W-2 do not match SSA's records, SSA cannot credit wage information to an individual's record and must place these data in a suspense file. Uncredited earnings can adversely affect an employee's future eligibility for benefits.

Employers may request SSA Publication No. 20-003, <u>Employer Information Package</u>, <u>Personal Earnings and Benefit Estimate Statement</u>. This package is designed to help employers (1) inform employees about the PEBES and reduce the number of employee questions, (2) respond to many generic questions that may arise, and (3) correct any erroneous information that may have been reported to SSA on Forms W-2/W-3 and Forms W-2c/W-3c. Employers may request the Employer Information Package by calling toll free,

1-800-772-1213. Also, a free video is available that encourages employees to request a PEBES. The video is available for employers to show at lunch or break times or during employee meetings. To receive a copy of the free video, employers may contact the SSA Office of Communications at (410) 966-0520 or by fax request at (410) 966-4871.



### **Enumeration Verification System (EVS)**

SSA's EVS will match employee names and SSNs with SSA records before the employer prepares and submits Forms W-2. SSA will verify SSNs solely to ensure that the records of your employees are correct for the purpose of completing Forms W-2. Making sure names and SSNs reported on Forms W-2 match SSAs records is important because unmatched records can result in additional processing costs for the employer and uncredited earnings for your employees. Uncredited earnings can affect future eligibility to and amount of Social Security and Medicare benefits.

EVS can help eliminate name and number errors. It's ideal if you want to verify an entire payroll database or if you hire more than 50 workers at a time. Employers may contact SSA's toll free number, 1-800-772-1213 if they want to verify one to five names. Employers may verify up to 50 names and SSN's by contacting their local SSA office.

To use EVS, all the employer has to do is register with SSA, then submit the requests on diskette, magnetic tape, 3480 or 3490 cartridges or paper. Requests can be submitted year round and generally take about 30 days to process, although requests on diskette may take longer depending on the time of year they're submitted. An EVS hotline is available to answer questions. The telephone number is (410) 965-7140.

**Note**: Any information the employer receives from SSA's records is governed by the Federal Privacy Act, 5 USC 552a(I). Under the Act, anyone who obtains this information under false pretenses or uses it for purposes other than that for which it was requested, may be punished by a fine or imprisonment or both.

### Criteria for Producing Annual Wage Reports

Paper Forms W-2 and W-3 should meet the following criteria.

- 1. Software to produce the forms should automatically enter required information, such as employer and employee names, addresses, SSNs and EINs, etc. This information should be obtained by the software from verified information in an employer's personnel and company records and should not need to be reentered during preparation of each report.
- 2. W-2 data for each employer should be segregated based on type of employment (e.g., regular Social Security tax employment versus Medicare Qualified Government Employment (MQGE)). There should be one W-2 submission for each type of employment.W-2s for each type of employment should be accompanied by a W-3 indicating the corresponding type of employment (kind of payer). However, in certain situations State and Local government employers have the option of reporting employee wages and tax withheld on either a combined or split-report basis, (see page 52).
- 3. Information should be entered in all appropriate blocks, items or data fields for the type of employment being reported.
- 4. Software must not permit generating W-3 entries before all corresponding W-2 entries are prepared.
- 5. Repetitive information, such as the employer's name, address, and EIN should be checked for consistency before preparing the forms.
- 6. Where appropriate, only alphabetic or numeric information should be entered. Impossible SSNs or EINs should be screened out.
- 7. Employee tax withholding amounts should be consistent with the taxable wages and rates for Social Security or Medicare.
- 8. Subtotal W-2 money amounts should only be produced when there are 42 or more employee W-2 statements. Once the threshold of 42 is met, subtotal statements should be produced for each group of 41 employee W-2 statements and for the remaining statements when less than 41. The corresponding W-3 report should reflect subtotal money amounts (or aggregate W-2 money amounts when no subtotal statements are required).

- 9. When appropriate, special payment amounts, such as sick pay, must be included as Social Security wages and Medicare wages.
- 10. Use W-3 control totals to match and reconcile the annual sum of quarterly line item amounts reported on IRS Form 941 or comparable forms for the same tax year and same EIN. Employers should be alert for adjustments reported on the IRS 941c submissions to ascertain that they belong to the current year.



### **Inquiries**

Comments or suggestions regarding this document should be forwarded to the:

Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195

Operational or technical questions should be directed to your respective regional magnetic media specialist listed in Appendix A.

Tax questions or questions on tax law and regulations (including calculating amounts which are to be reported) must be addressed to the IRS Information Reporting Program Call Site at telephone number 1-304-263-8700 (Not a Toll Free Number).

Employers with questions concerning the SSA and IRS reconciliations of W-2 data, Medicare reporting error notices and or questions concerning magnetic media filing may contact the SSA at 1-800-772-6270 on weekdays from 7 a.m. to 7 p.m. (Eastern Time).

### CHAPTER 2 EMPLOYER CHECKLIST



The following checklist contains a number of basic steps you can take to help report employee wages accurately and protect their future benefits under the Social Security and Medicare programs.

### **Recording and Verifying Social Security Numbers**

- [] Always request to examine the Social Security card for a job applicant to ensure that the individual's name and SSN agree with the same information on the job application. If different, ask the applicant to visit a Social Security office to report a name change or other problem.
- [ ] Transcribe the name and SSN carefully and accurately.
- [] Employers can maintain a photocopy of the employee's Social Security card with the employee's personnel records for further verification of the SSN.

### **Preparing and Submitting Annual Wage Reports**

[] Use either the IRS official Forms W-2 and W-3 or privately printed substitute Forms W-2 and W-3 and ensure that the correct tax year forms are submitted to SSA. SSA accepts **only** 7 inch wide Forms W-2 and W-3. SSA no longer accepts 7.5 and 8 inch wide forms because they cannot be scanned through SSA's scanning equipment. This new requirement is explained in IRS Publication 1141 <u>General Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3</u>. All privately-printed, substitute Forms W-2 and W-3 must adhere to the specifications contained in publication 1141.

Here are several reminders on the specifications for creating substitute Forms W-3 and W-2 (Copy A) and the entry of data on all forms.

- 1. <u>Margins</u>: Do not print, write or enter any data in the margins of the form(s). These areas are used to accommodate control information during SSA's processing.
- 2. <u>Printing the Form(s)</u>: All printing for Forms W-3 and W-2 (Copy A) will be in red Optical Character Recognition (OCR) dropout ink, except for the form

identifying numbers '22222' or '33333' at the top of the form and the descriptive information at the bottom which will be printed in nonreflective black ink. The font used to print data on Forms W-3 and W-2 (Copy A) should be very dark and not smaller than **12 characters per inch**. Do not use script, inverted, italics and/or dual case fonts when preparing the forms. Do not use inks that contain red pigment on forms that contain employer provided information.

3. <u>Paper Requirements</u>: Paper for privately-printed, substitute forms (cut sheets and continuous pinfeed forms) that are to be filed with SSA must be white 100 percent bleached chemical wood, **18-20 pound paper only**, OCR bond with specific weight requirements. The forms must be produced in accordance with the detailed specifications of IRS Publication No. 1141.

### 4. <u>Data Entry</u>:

- o Entries on the Forms W-2 and W-3 should be typed or machine printed whenever possible, using high quality type face.
- o The data entered must be presented in clear, <u>dark</u> images to guarantee machine scannable forms.
- o Insert data in the middle of the blocks and well separated from other printing.
- 5. Separating the Forms: Continuous pinfeed forms should be separated at the page perforation into individual 11 inch deep pages (i.e., 2 Forms W-2 or 1 Form W-3 per page) in accordance with IRS publication 1141. When separating forms, keep them in order and submit them in the order printed. **Note**: Individual Forms W-2 should not be cut to create two separate forms because it causes processing problems.
- 6. Mail all paper Forms W-3 and W-2 (copy A) to the appropriate address (depending on the mail service used) shown below.

If United States Postal Service-Send to:

Social Security Administration Data Operations Center Wilkes-Barre, PA 18769-0001 (For certified mail use ZIP code 18769-0002) If Other Carrier (e.g. FedEx, UPS)-Send to:

Social Security Administration
Data Operations Center
Attn: AWR Process
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

[]	Ensure that a Form W-3 accompanies each employer group of W-2 submissions.						
[]	Ensure that your EIN reported on Forms W-2, W-3 and 941 is the correct number issued by the IRS and that you reported the EIN consistently on all three types of forms.						
[]		tain information reported on the Forms W-2 should balance with the Form W-3 and m 941 data. To assure proper balancing when reporting:					
	1.	Check that the Social Security wages and Social Security tips reported on the Forms W-2 (a) equal the total Social Security wages and Social Security tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Social Security wages and Social Security tips on Forms 941, and					
	2.	Check that the Medicare wages and tips reported on the Forms W-2 (a) equal the total Medicare wages and tips reported on the accompanying Form W-3 and (b) equal the annual sum of the quarterly amounts reported to IRS for Medicare wages and tips on Forms 941.					
[]	Send Forms W-3 and <b>Copy A</b> of Forms W-2 <b>only</b> to SSA - not IRS or other destinations.						
[]	Ens	ure that the correct tax year is shown on both Forms W-3 and W-2 (Copy A).					
[]	If you terminate your business, you must provide Form (s) W-2 to your employees for the calendar year of termination by the date your final Form 941 is required to be filed. Additionally, you must file Forms W-2 with the SSA by the end of the second month after the end of the quarter for which the final Form 941 is filed.						
[]	You may request an extension of time for filing Form W-2 (Copy A) with SSA by sending <b>IRS Form 8809</b> , <b>Request for Extension of Time to File Information Returns</b> , to the address shown on that form. To obtain this form, contact your local IRS office or call 1-800-829-3676. For your request to be considered, you must request the extension before the due date of the returns. If approved, you will have an additional 30 days to file. See <b>Form 8809</b> for more details.						
[]	If you will file Forms W-2 on behalf of other employers in an "Agent" capacity, please						

Report on Forms 941 throughout the tax year, the wage and tax data for all

employers (including the "agent" if the "agent" is also an employer) for which the

remember to:

- "agent" is assuming a reporting responsibility and use the "agent" name and EIN on the Forms 941;
- 2. Enter the ["Agent's" EIN] in box b and the ["Agent's" Name and Address] in box c of the Forms W-2 (Exception: When an employee's total Social Security wages exceed the taxable Social Security wage base, enter the ["Agent's" name], "Agent for" [Employer's Name], and ["Agent" Address] in box c and the ["Agent's" EIN] in box b);
- 3. Enter the ["Agent" Name] in box f, ["Agent" Address] in box g and the "Agent's" EIN in box e of Form W-3; and
- 4. Submit all Forms W-2 prepared on behalf of the other employers (and your own if you are also an employer) under one W-3 transmittal.

**Note**: Please refer to "Agent" Reporting in Chapter 4 (beginning on page 99) for further explanation and examples.

### **Post-Reporting Activities**

]	When Form W-2 (Copy A) data are submitted to SSA on magnetic media, <u>do not</u> submit paper Forms W-2 (Copy A) that contain the same information to SSA.
]	If, after submitting Forms W-2 and W-3, you identify any differences between the Social Security wages/tips and Medicare wages/tips reported to SSA versus those reported to IRS, evaluate whether you should submit correction reports to SSA (Forms W-3c and W-2c) and/or to IRS (Form 941c). Retain copies of this information with your tax records.
1	Do not use a new W-2 or W-3 form to correct a previous report submission - use a

### **Ongoing Activities**

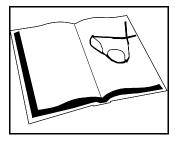
[ ] Remind employees to promptly report any name changes (marriages, divorces, etc.,) by completing and submitting a new Form SS-5, <u>Application for a Social Security Card</u> to SSA so their earnings can be credited to their proper earnings record. To obtain a new Form SS-5, employees may call SSA's toll free number 1-800-772-1213 between 7 a.m. and 7 p.m. any business day.

W-2c and W-3c instead.

- [] Encourage employees to verify basic information each year on their copies of Forms W-2, particularly their name and SSN, and report any errors promptly to you.
- [] Encourage your employees to check their earnings records with SSA by obtaining a PEBES request form (Form SSA-7004). Remind your employees that SSA requires an original signature to process PEBES requests. For more on PEBES, see page 6.
- [ ] You can reproduce a quantity of the SSA-7004 to distribute to your employees so they can request the PEBES. To order a "camera-ready" copy of Form SSA-7004, please either FAX your request to (410) 965-6400 or send your written request to:

Social Security Administration
Office of Publications Management
Attn: Ms. Thelma Williams
1-A-21 Operations Bldg.
6401 Security Blvd.
Baltimore, MD 21235

### CHAPTER 3 STANDARDS, SPECIFICATIONS AND EDITS



#### Introduction

This Chapter provides standards, specifications and edits for preparing paper Forms W-3 and Copy A of paper Forms W-2 for SSA. These criteria are segregated to address two audiences - namely (1) employer human resource departments and (2) software developers who write software used to produce the paper wage and tax statements.

The standards for human resource departments outline data for the employer and the employee, as well as employee wage and tax data which employers should compile for use in preparing paper Forms W-3 and copy A of Forms W-2. These standards are comprised of guidelines which identify what data to compile, describe what the data should represent and specify certain data characteristics which may identify suspect or incorrect data. Employers should adopt these guidelines as part of their organizational procedures to help ensure the accuracy of payroll data used in wage and tax statement reporting and minimize common reporting problems.

The specifications and edits constitute guidelines for software developers who write programs which produce the W-2 and W-3 paper forms. These guidelines prescribe which data to print in each Form W-2/W-3 box, data entry content requirements, data entry formats and edits which may identify suspect or incorrect entries. Software developers should incorporate these specifications and edits in their wage and tax statement software for paper forms to help ensure accurate annual wage reporting.

The standards, specifications and edits which follow are designated as either required or optional. Items designated as required on Forms W-3 and Copy A of Forms W-2 constitute data required to be submitted to SSA for either (1) use by SSA for programmatic purposes and/or (2) accumulation and transmission to IRS for tax processing and enforcement purposes. Items designated as optional constitute other data not required to be submitted to SSA but which may be required for tax reporting purposes on other copies of Forms W-2.

NOTE: The principle instructions for preparing paper Forms W-2 and W-3 are published by the IRS.

W-2 BOX	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
a.	O	Control Number.	May be used as a numbering system to account for all W-2s used for the tax year. <b>Note</b> : If used, please keep the data within the box. If data extends outside the box, the form may not be processed correctly.	Not required by SSA.
	R-If Applicable	Void	Place an "X" in this check-box if the Form W-2 is being voided.	This box must be either blank or contain an "X".
b.	R	Employer's Identification Number (EIN).	This is the 9 digit number assigned by the IRS.  a. Entry should be shown as 10 positions, all numerics and one hyphen in position 3 (e.g., 00-0000000). Use the same EIN used in preparing Federal employment tax returns (e.g., Form 941 or Form 943, Employer's Annual Tax Return for Agricultural Employees).  b. The first two left-most positions cannot be 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90.  c. Place the EIN of the "agent" in this box if an "agent" prepared the Form W-2 for another employer. Apply the same rules as in a. and b. above.	<ul> <li>This is the 9 digit number assigned by the IRS.</li> <li>a. Must be 10 positions.</li> <li>b. Hyphen only in position 3.</li> <li>c. Positions 1, 2 and 4 through 10 must be numeric.</li> <li>d. The first two left-most positions cannot be: 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90.</li> </ul>

<u>W-2</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
c.	R	Employer's Name Address and ZIP Code.	<ul> <li>a. Show the employer's full name, address and ZIP code.</li> <li>b. If an "agent" prepared the Form W-2 for another employer, show the "agent's" name (as registered with the IRS) on the first line. On the next lines, show the address of the "agent". Exception: If any employee's aggregate Social Security wages exceed the Social Security wage base for the reporting year, then show the "agent's" name (as registered with the IRS) on the first line, the name of the company for which the employee was paid wages on the second line preceded by the words "Agent for" and on the next lines, show the "agent's" address.</li> <li>See "Agent" Reporting in Chapter 4.</li> </ul>	
d.	R	Employee's Social Security Number.	Enter the employee's Social Security Number (SSN) in an 11 position format; 9 numerics with hyphens in positions 4 and 7 (e.g., 000-00-0000). The following are impossible SSN's; all ones (111-11-1111), all threes (333-33-3333), (123-456789) or any SSN having 000, 666, 729 through 749 or 764 through 999 as the first three digits.	123-45-6789.

<u>W-2</u>	REQUIRED-R	NAME/	STANDARDS FOR HUMAN	SPECIFICATIONS AND EDITS
<u>BOX</u>	OPTIONAL-O	DESCRIPTION	RESOURCE DEPARTMENTS	FOR SOFTWARE DEVELOPERS
e.	R	Employee's Name (first, middle initial, last).	Enter the name as shown on the employee's Social Security card (first, middle initial, last). Exclude titles in prefixes or suffixes. Care should be taken when providing entries with compound surnames. Parts of compound surnames must be connected with a hyphen. For example:  a. Maria Rodriguez-de-Perez properly displays a first name (Maria), no middle initial, and a compound surname (Rodriguez-de-Perez);  b. Maria Elena Rodriguez-de-Perez properly displays a first name (Maria) a middle initial of E (for the middle name Elena) and a compound surname (Rodriguez-de-Perez).  c. Diego Garcia-y-Vega properly displays a first name (Diego), no middle name, and a compound surname of (Garcia-y-Vega).  d. Additional examples:  . Susan B. Smith Johnson, enter Susan B Smith-Johnson  Maria Mercedes Sancho Davila, enter  Maria M Sancho-Davila	

Jose Ramon Lopez Gonzales, enter

W-2 BOX	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
			Jose R Lopez-Gonzales	
			Ivan Ramirez Arellano (no middle name), enter Ivan Ramirez-Arellano	
			Catherine L. Smith Le May, enter Catherine L Smith-Le-May	
			Gloria M. Rodriquez de Perez, enter Gloria M Rodriquez-de-Perez	
			Single-letter prefixes such as O or D must not be separated from the rest of the surname by a blank, but should be connected by an apostrophe or joined to the rest of the surname. For example:	
			Grace H. O'Malley, enter Grace H O'Malley or Grace H OMalley	

f. R Employee's Address and ZIP Code.

Enter the employee's full address and ZIP Code.

Anthony D'Angelo (no middle

name), enter

Anthony D'Angelo or Anthony DAngelo

Free-form.

W-2 BOX	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION
1	R	Wages, Tips, Other Compensation.

### STANDARDS FOR HUMAN RESOURCE DEPARTMENTS

- a. Calculate (excluding elective deferrals, except section 501(c)(18) contributions), before any payroll deduction, the following:
  - (1) Total wages paid during the year.
  - (2) All tips reported, exclusive of those classified as allocated tips.
  - (3) All noncash payments (including fringe benefits).
  - (4) Report distributions from nonqualified deferred compensation plans and section 457 plans.
  - (5) Dependent care benefit amounts incurred on behalf of employees in excess of the \$5,000 exclusion.
  - (6) All other compensation; e.g., taxable payments for moving expenses, certain scholarships or fellowship grants, reimbursements for employee business expenses exceeding amounts treated as substantiated, the cost of group-term life insurance coverage provided to an employee in excess of \$50,000, the cost of accident and health insurance premiums paid on behalf of 2% or more

### SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS

- a. Must be dollars and cents, (numerics and decimal point <u>only</u>).
- b. Decimal point must be shown even when the entry is even dollars.
- c. Cannot be a negative amount.

STANDARDS FOR HUMAN

RESOURCE DEPARTMENTS

SPECIFICATIONS AND EDITS

FOR SOFTWARE DEVELOPERS

 $\underline{\mathbf{W-2}}$ 

**BOX** 

**REQUIRED-R** 

**OPTIONAL-O** 

NAME/

**DESCRIPTION** 

<u>DOA</u>	OI HONAL-O	DESCRIPTION	RESOURCE DELARTMENTS	TOR BOTT WARE DEVELOTERS
			shareholder-employees by an S corporation, taxable benefits made from a Section 125 plan (i.e., employee chooses cash) etc. b. The entry must be a numeric value only and cannot be a negative amount.	
No			and other compensation, see IRS Instructions f pendix B); do not contact SSA.	for Form W-2. Please contact IRS for copies of
2	R-If Applicable	Federal Income Tax Withheld.	<ul> <li>a. Calculate the amount of Federal income tax withheld from the employee's wages for the year. Include the 20 percent excise tax on money amounts classified as wages which constituted excess "golden parachute" payments if applicable.</li> <li>b. The entry must be a numeric value only and cannot be a negative amount.</li> </ul>	<ul> <li>a. Must be dollars and cents, (numerics and decimal point only).</li> <li>b. Decimal point must be shown even when the entry is even dollars.</li> <li>c. Cannot be a negative amount.</li> <li>d. When the amount is zero, leave the box blank.</li> </ul>
3	R-Based on Type of Employment	Social Security Wages.	For employment where wages are subject to the 6.2 percent Social Security tax.  a. Calculate the total Social Security	<ul><li>a. Must be dollars and cents, (numerics and decimal point only).</li><li>b. Decimal point must be shown even</li></ul>
SOFTW	ARE SPECIFICATIONS AND	EDITS FOR ANNUAL WAGE RE	PORTING	LY 1997 PAGE 24

STANDARDS FOR HUMAN

RESOURCE DEPARTMENTS

wages paid (before payroll

tips and allocated tips.

deductions). Exclude Social Security

SPECIFICATIONS AND EDITS

when the entry is even dollars.

d. When the amount is zero, leave the

c. Cannot be a negative amount.

FOR SOFTWARE DEVELOPERS

1997.

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W-2

**BOX** 

**REQUIRED-R** 

**OPTIONAL-O** 

NAME/

SOFTWARE SPECIFICATIONS AND EDITS FOR ANNUAL WAGE REPORTING

**DESCRIPTION** 

			<ul> <li>b. The amount cannot exceed the maximum Social Security taxable wage base amount of \$65,400 for tax year 1997.</li> <li>c. The entry must be a numeric value only and cannot be a negative amount.</li> </ul>	e. f. g.	1997. Cannot include entry when type of employment is MQGE or RRTA.
			formation on Form W-2, Box 3 requirements. I bendix B); <b>do not</b> contact SSA.	Please con	tact IRS for copies of its
4	R-Based on Type of Employment	Social Security Tax Withheld.	For employment where wages are subject to the 6.2 percent Social Security tax.  a. Calculate the total employee Social Security tax (not the employer share) withheld or paid for the employee up to a maximum of \$4054.80 for tax year 1997.  b. The entry must be a numeric value only and cannot be a negative amount.	a. b. c. d. e.	and decimal point only).  Decimal point must be shown even when the entry is even dollars.  Cannot be a negative amount.  When the amount is zero, leave the box blank.

STANDARDS FOR HUMAN

BOX	OPTIONAL-O	DESCRIPTION	RESOURCE DEPARTMENTS		FTWARE DEVELOPERS
				f.	Cannot contain an entry when the type of employment is MQGE or RRTA.
N		ons for Form W-2 for more in idance (see Appendix B); do	nformation on Form W-2, Box 4 requirements. Plenot contact SSA.	ease con	tact IRS for copies of its instructions
5	R-Based on Type of Employment	Medicare Wages and Tips.	<ul> <li>For employment where wages and tips are subject to the 1.45 percent Medicare tax.</li> <li>a. Calculate the total employee Medicare wage and tip amount.</li> <li>b. The entry must be a numeric value only and cannot be a negative amount.</li> <li>c. Note: Beginning with TY 1994, there is no limit on the amount of Medicare wages and tips. This amount should represent all wages, tips and other compensation (Box 1) plus elective deferrals to (1) certain qualified cash or deferred compensation</li> </ul>	<ul><li>a.</li><li>b.</li><li>c.</li><li>d.</li><li>e.</li><li>f.</li></ul>	and decimal point only).  Decimal point must be shown even when the entry is even dollars.  Cannot be a negative amount.  When the amount is zero, leave the box blank.  Must be blank if type of employment is RRTA.

arrangements and (2) retirement arrangements reported in Box 13 (codes D, E, F, G and S). Also include both elective and non-elective deferrals for Section 457 plans (reported in Box 13 code H).

W-2

**REQUIRED-R** 

NAME/

SPECIFICATIONS\_AND\_EDITS

W-2 BOX	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
6	R-Based on Type of Employment	Medicare Tax Withheld.	<ul> <li>For employment where wages and tips are subject to the 1.45 percent Medicare tax.</li> <li>a. Calculate the total employee Medicare tax withheld.</li> <li>b. The entry must be a numeric value only and cannot be a negative amount.</li> <li>c. Note: Beginning with TY 1994, there is no limit on the amount of Medicare wages and tips that are subject to Medicare tax.</li> </ul>	<ul> <li>c. Cannot be a negative amount.</li> <li>d. When the amount is zero, leave the box blank.</li> <li>e. Cannot exceed 1.45 percent of the money amount entered in box 5.</li> </ul>
7		ions for Form W-2 for more in additional guidance (see Appe Social Security Tips.	formation on Form W-2, Box 5 and Box 6 requindix B); do_not contact SSA.  For employment where tips are subject to the 6.2 percent Social Security tax.  a. Calculate the amount the employee reported. Exclude allocated tip	<ul> <li>a. Must be dollars and cents (numerics and decimal point only).</li> <li>b. Decimal point must be shown even when the entry is even dollars.</li> </ul>
			amounts. b. Limit the entry to the <u>lesser</u> of:	<ul><li>c. Cannot be a negative amount.</li><li>d. When the amount is zero, leave the</li></ul>

(1) actual Social Security tips or

c. The entry must be a numeric value

subtracted from \$65,400.

(2) the Social Security wage amount

box blank.

RRTA.

e. Cannot contain an entry when the

type of employment is MQGE or

<u>W</u> . <u>BC</u>		REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION		NDARDS FOR HUMAN URCE DEPARTMENTS		FICATIONS AND EDITS FTWARE DEVELOPERS
					only and cannot be a negative amount.	f. g.	Entry cannot be greater than \$65,400 minus the box 3 entry. If box 7 contains an entry, then (a) box 4 must contain an entry and/or box 13 must contain an entry preceded by an alpha code "A" and (b) box 5 must contain an entry.
	NOTI		s for Form W-2 for more inflance (see Appendix B); do		on Form W-2, Box 7 requirements. et SSA.	Please con	tact IRS for copies of its instructions
8		R-If Applicable	Allocated Tips.	b.	Calculate the amount of tips allocated to the employee. Exclude amounts classified as (1) wages, tips and other compensation, (2) Social Security tips or (3) the amount included as tips in box 5 "Medicare Wages and Tips". The entry must be a numeric value only and cannot be a negative amount.	b.	Must be dollars and cents, (numerics and decimal point only).  Decimal point must be shown even when the entry is even dollars.  Cannot be a negative amount.  When the amount is zero, leave the box blank.
	NO				Information Return of Tip Income are s of its instructions and additional gui		ed <u>Tips</u> , for more information on Form Appendix B); <u>do not</u> contact SSA.
9		R-If applicable	Advance EIC Payment.		Calculate the total amount paid to the employee as advance earned income	e a.	Must be dollars and cents, (numerics and decimal point only).

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SOFTWARE SPECIFICATIONS AND EDITS FOR ANNUAL WAGE REPORTING

W-2 BOX	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
			credit payments. This amount cannot exceed \$1,326.00 for tax year 1997.  b. The entry must be a numeric value only and cannot be a negative amount.	<ul> <li>b. Decimal point must be shown even when the entry is even dollars.</li> <li>c. Cannot be a negative amount.</li> <li>d. When the amount is zero, leave the box blank.</li> <li>e. Cannot exceed \$1,326.00 for tax year 1997.</li> </ul>
10	R-If Applicable	Dependent Care Benefits.	<ul> <li>a. Calculate the total amount of dependent care benefits under Section 129 of the Internal Revenue Code or a section 125 plan paid or incurred by you for the employee. The amount entered should include any amount in excess of the \$5,000 exclusion.</li> <li>b. The entry must be a numeric value only and cannot be a negative amount.</li> </ul>	<ul> <li>a. Must be dollars and cents, (numerics and decimal point only).</li> <li>b. Decimal point must be shown even when the entry is even dollars.</li> <li>c. Cannot be a negative amount.</li> <li>d. When the amount is zero, leave the box blank.</li> </ul>
NOT		as for Form W-2 for more info dance (see Appendix B); do n	rmation on Form W-2, Box 10 requirements. P. ot contact SSA.	lease contact IRS for copies of its instructions
11	R-If Applicable	Nonqualified Plans.	a. Calculate (1) the amount of distributions to an employee from a nonqualified deferred compensation plan and/or a Section 457 plan (this amount should be included as wages, tips and other compensation in Box 1) and (2) amounts deferred under a nonqualified plan which became	<ul> <li>a. Must be dollars and cents.</li> <li>b. Decimal point must be shown even when the entry is even dollars.</li> <li>c. Cannot be a negative amount.</li> <li>d. When the amount is zero, leave the box blank.</li> <li>e. If this amount represents only a section 457 plan distribution, the</li> </ul>

<u>W-2</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
			taxable during the tax year, based on the <u>later</u> of (a) when the services giving rise to the deferral are performed <u>or</u> (b) when there is no substantial forfeiture risk of the right to the deferred amount (this amount should be included as Social Security wages in box 3 and Medicare wages in box 5).  b. If the amount calculated represents <u>only</u> a Section 457 plan distribution, data should exist which permits associating this amount with an alphacode of "G".  c. The entry must be a numeric value only and cannot be a negative amount.	code "G" and at least one blank space.  f. Can contain only one entry.
12	O	Benefits Included in Box 1.	<ul> <li>a. Calculate the total value of taxable fringe benefits as other compensation</li> <li>b. The entry must be a numeric value only and cannot be a negative amount.</li> </ul>	<ul> <li>a. Must be dollars and cents, (numerics and decimal point only).</li> <li>b. Decimal point must be shown even when the entry is even dollars.</li> <li>c. Cannot be a negative amount.</li> <li>d. When the amount is zero, leave the box blank.</li> <li>e. Cannot exceed the amount entered in box 1.</li> </ul>
13	R-If Applicable	See Instrs. for Box 13.	a. Calculate money amounts for any on or more of the following, where	e a. Must be either (1) an upper case alpha reference code
SOFTWAI	RE SPECIFICATIONS AND	EDITS FOR ANNUAL WAGE REP	ORTING J	ULY 1997 PAGE 30

<u>W-2</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATI FOR SOFTWAR	
			applicable to the employee:	("A tl	
			(1) Uncollected Social Security tag on employee tips.	x "P" the one s	
			(2) Uncollected Medicare tax on employee tips.	(2) a alpha	mo
			(3) Cost of group-term life insurar		
			coverage provided to the employee in excess of \$50,000	b. Mone dollar	•
			(4) Contributions (total elective	point	
			deferral and any excess) to any of the following types of defer		
			compensation plans: Section	d. Cann	ot
			401(k), Section 403(b), Section		
			408(k)(6), Section 457(b) and	the bo	
			Section 501(c)(18)(D). Note:		

### SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS

- deferral and any excess) to any of the following types of deferred compensation plans: Section 401(k), Section 403(b), Section 408(k)(6), Section 457(b) and Section 501(c)(18)(D). Note: For section 457(b) plans, (a) include both elective and nonelective deferrals and (b) exclude amounts subject to a substantial risk of forfeiture. When subtotaling, do not enter alpha codes in box 13 and subtotal only codes D through H and S as one amount.
- (5) Employee sick pay not included as income in box 1, (wages, tips, other compensation).
- (6) The 20 percent excise tax on excess "golden parachute" payments.
- (7) When employee business expense

- ("A through "H", "J" through "N", or "P" through "T") followed by at least one space and a money amount or (2) a money amount without an alpha code when the subtotal box is marked with an "X" in box 15.
- Money amount must be shown as dollars and cents with a decimal point.
- c. Decimal point must be shown even when the entry is even dollars.
- d. Cannot be a negative amount.
- e. If no entries exist for this box, leave the box blank.
- f. If the subtotal box in box 15 contains an "X", this box can contain only one entry which must equal the combined total of all deferred compensation entries (codes D through H and S) for the Forms W-2 being subtotaled.
- g. If the subtotal box in box 15 is blank, this box can contain up to 3 entries.
- h. If the subtotal box in box 15 is blank and more than 3 entries are designated for this box, another W-2 form must be printed (for the remaining entries) containing only:
  - (1) The same non-monetary data printed in boxes b, c, d, e and

$\underline{\mathbf{W-2}}$	REQUIRED-R	NAME/
<b>BOX</b>	OPTIONAL-O	<b>DESCRIPTION</b>

### STANDARDS FOR HUMAN RESOURCE DEPARTMENTS

## SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS

- reimbursements exceed amounts substantiated under IRS rules, report the portion of the reimbursements which are treated as substantiated (i.e., the nontaxable portion).
- (8) Uncollected Social Security tax on group-term life insurance provided to former employees (including retirees) in excess of \$50,000.
- (9) Uncollected Medicare tax on group-term life insurance provided to former employees (including retirees) in excess of \$50,000.
- (10) Excludable reimbursements to an employee (including payments made directly to a third party and services furnished in kind) for moving expenses incurred.
- (11) If you are a military employer and provide your employee with basic quarters and subsistence allowances, report the amount.
- (12) Employer contributions to a medical savings account for the employee. Any employer contributions not excludable from the employee's gross income also must be included in box 1.

- f on preceding W-2 form for that employee, and
- (2) The remaining box 13 entries (up to 3 for each additional form).

$\underline{\mathbf{W-2}}$	<b>REQUIRED-R</b>	NAME/	STANDARDS FOR HUMAN	SPECIFICATIONS AND EDITS
<b>BOX</b>	<b>OPTIONAL-O</b>	<b>DESCRIPTION</b>	RESOURCE DEPARTMENTS	FOR SOFTWARE DEVELOPERS

- (13) Employee salary reductions to a SIMPLE retirement account. Show the amount deferred under a section 408 (p) salary reduction SIMPLE retirement account. However, if the SIMPLE is part of a section 401 (k) arrangement, the amount is reported using code D.
- (14) The total amount paid or expenses incurred by an employer for qualified adoption expenses furnished to an employee under an adoption assistance program. Also include benefits from the pre-tax contributions made by the employee to a section 125 adoption plan account.
- b. The entry must be numeric preceded by a single alpha code (or only numeric for subtotal statements) and cannot be a negative amount.
- c. Data should exist which permits associating one of the following alpha codes with the corresponding calculated amount(s) listed in 13a:

Item 13a(1)					A
Item 13a(2.					B
Item 13a(3)					C

W-2 BOX	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
			Item 13a(4):         Section 401(k)       D         Section 403(b)       E         Section 408(k)(6)       F         Section 457(b)       G         Section 501(c)(18)(D)       H         Item 13a(5)       J         Item 13a(6)       K         Item 13a(7)       L         Item 13a(8)       M         Item 13a(9)       N         Item 13a(10)       P         Item 13a(11)       Q         Item 13a(12)       R         Item 13a(13)       S         Item 13a(14)       T	
NO			ore information on Form W-2, Box 13 requirements Appendix B); <b>do not</b> contact SSA.	s. Please contact IRS for copies of its
14	O	Other.	For employer use. This box may be used for any other information you want to give your employee. Please label each box. Examples are: a. Union dues. b. Health insurance premiums deducted. c. Educational assistance payments.	Not required by SSA.
SOFTWAI	RE SPECIFICATIONS AN	D EDITS FOR ANNUAL WAGI	E REPORTING JU	LY 1997 PAGE 34

<u>W-2</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
15	R-If Applicable	Check the Boxes that apply.	<ul> <li>Individual Boxes should be checked designate one or more of the following.</li> <li>a. Statutory employee - if there are earnings subject to Social Securities tax and Medicare tax but not Feincome tax withholding.</li> <li>b. Deceased - if employee is now deceased.</li> <li>c. Pension plan - if employee was active participant (for any part of year) in a retirement plan. Exclicontributions to nonqualified plator 457 plans in determining when this box should be marked.</li> <li>d. Legal rep if employee's name the only one shown but is shown a trust account or if another name</li> </ul>	that apply.  b. If the "subtotal" box contains an  "X", then the form cannot contain entries in boxes other than "a" (optional), "b", "c", 1 through 11 and 13.  (1) For each box that contains a money entry; the entry must be the combined total of the entries in the same box for the last group if less than 41) not to include any amounts is from forms that have an "X" in the "Void" box.
			shown in addition to the employ name and the other person is act on behalf of the employee.	ing (3) The entry must be dollars and cents (numerics and decimal
			e. Hshld. emp For household employers only. Mark this box you are a household employer (e if you are only filing a single Fo	even when the entry is even dollars.
			W-2).	(5) Cannot be a negative number.
			f. Subtotal - If this Form W-2	(6) When the amount is zero,
			represents a subtotal form.	leave the box blank.
			g. Deferred compensation - If the employee has made an elective deferral to a section 401(k), 403	(7) When box 13 contains at least one money amount entry preceded by an alpha code D,

STANDARDS FOR HUMAN

<b>BOX</b>	OPTIONAL-O	DESCRIPTION	RESOURCE DEPARTMENTS	FOR SOFTWARE DEVELOPERS
			408(k)(6), 408(p) or 501(c)(18)(D) retirement plan. If an elective or nonelective deferral was made to a section 457(b) plan.	E, F, G, H or S, the deferred compensation box must contain an "X".  (8) When box 13 contains at least one money amount entry preceded by an alpha code D, E, F, H or S, the pension plan box should contain an "X".  (9) When the subtotal box contains an "X" the box 13 entry must equal the combined total of box(s) 13 where the reference code is D, E, F, G, H and/or S for the previous 41 forms W-2 (or the last group if less than 41 forms).
N		ons for Form W-2 for more in idance (see Appendix B); <b>do</b>	<u> </u>	. Please contact IRS for copies of its instructions
16- 21	O	State or Local Income Tax Information.	Not required by SSA.	Not required by SSA.

W-2

**REQUIRED-R** 

NAME/

SPECIFICATIONS AND EDITS

<u>W-3</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
a.	O	Control Number.	For employer's purposes.  Note: If used, please keep the data within the box. If data extends outside the box, the form may not be processed correctly.	Not required by SSA.
b.	R	Kind of Payer.	Software should produce data which identifies one of the following corresponding types of employment for the accompanying W-2 data:  a. Agriculture (Box 943).  b. Household (Box Hshld).  NOTE: Beginning with 1997, all household employers, even those with only one employee, must file Form W-3 with their Form(s) W-2.  c. Military.  d. Medicare Qualified Government Employee (Box Medicare govt. emp.)  e. Railroad (RRTA) (Box CT-1).  f. All others (regular) (Box 941).	<ul><li>a. Must contain an "X" in the box that applies.</li><li>b. Can contain only one "X".</li></ul>

**NOTE**: See IRS Instructions contained on the W-3 form (Your Copy) and Form W-2 for more information on Form W-3, Box b. requirements. Please contact IRS for copies of its instructions and additional guidance (see Appendix B); **do\_not** contact SSA.

<u>W-3</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
c.	R	Total Number of Statements.	Calculating the total number of statements for the employer is a function of preparing the paper W-3 report, based on the total number of statements produced in the physical report submission.	Must contain the total number of W-2 forms represented by this Form W-3, excluding voided or subtotal Forms W-2.
d.	O	Establishment Number.	<ul> <li>Not required by SSA.</li> <li>This box can be used for employer's purposes.</li> <li>If used;</li> <li>a. Prepare only a 4 position entry.</li> <li>b. Entries can be either alpha or numeric.</li> <li>c. Entries with less than 4 positions should use right justification with leading zeros.</li> </ul>	<ul><li>If used;</li><li>a. Must be either blank or a 4-position entry.</li><li>b. When the establishment number is less than 4 positions, the entry must be right justified with leading zeros.</li></ul>
e.	R	Employer's Identification Number.	This is the 9 digit number assigned by the Internal Revenue Service.  a. Entry should be shown as 10 positions, all numerics and one hyphen in position 3 (e.g., 00-0000000). Use the same EIN used in preparing Federal employment tax returns (e.g., Form 941 or Form 943).  b. The first two left-most positions cannot be 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90.	<ul> <li>a. Must be the same EIN used in W-2 box b for the W-2(s) being reported.</li> <li>b. Must be shown as 10 positions.</li> <li>c. Hyphen only in position 3.</li> <li>d. Numerics only in positions 1, 2 and 4 through 10.</li> <li>e. The first two left-most positions cannot be 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90.</li> </ul>

<u>W-3</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
			c. Place the EIN of the "agent" in this box if an "agent" prepared the Forms W-2. Apply the same rules as in a. and b. above. Must be the same EIN used in W-2, box b for the W-2(s) being reported.	
f.	R	Employer's Name.	<ul> <li>a. The employer's name is produced as a function of preparing the physical form W-3, based on the W-2 payroll data submitted for processing.</li> <li>b. If an "agent" prepared the Form(s) W-2, enter only the name of the "agent" in this box.</li> </ul>	Free-form. Must match the name entered in box c of the W-2(s) being reported.
g.	R	Employer's Address and ZIP Code.	<ul> <li>a. The employer's address and ZIP code is produced as a function of preparing the physical Form W-3, based on the W-2 payroll data submitted for processing.</li> <li>b. If an "agent" prepared the Form(s) W-2, enter the address and ZIP code of the "agent."</li> </ul>	Free-form. Must be the same address and ZIP Code entered in box c of the forms W-2 being reported.
h.	R-If applicable	Other EIN Used this Year.	Required entry if, during the year, an EIN (including a prior owner's EIN) was used on Form 941 or 943 that is different from the EIN in box e above.  a. Entry should be shown as 10 positions, all numerics and one hyphen in position 3	<ul> <li>a. Must be shown as 10 positions.</li> <li>b. Hyphen only in position 3.</li> <li>c. Numerics only in positions 1, 2 and 4 through 10.</li> <li>d. The first two left-most positions cannot be 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49,</li> </ul>

<u>W-3</u>	REQUIRED-R	NAME/	STANDARDS FOR HUMAN	SPECIFICATIONS AND EDITS
<b>BOX</b>	OPTIONAL-O	<u>DESCRIPTION</u>	RESOURCE DEPARTMENTS	FOR SOFTWARE DEVELOPERS
			<ul> <li>(e.g., 00-000000). Use the same EIN used in preparing Federal employment tax returns (e.g., Form 941 or Form 943).</li> <li>b. The first two left-most positions cannot be 00, 07, 08, 09, 10, 17, 18, 19, 20, 26, 27, 28, 29, 30, 40, 49, 50, 60, 69, 70, 78, 79, 80, 89, 90.</li> <li>c. If an "agent" prepared the Form(s) W-2 for only one employer (or one employer and the "agent's" employees, if the "agent" is also an employer), enter the employer's EIN in this box; otherwise, leave this box blank.</li> </ul>	50, 60, 69, 70, 78, 79, 80, 89, 90. e. Cannot match the EIN in box e.
i.	O	Employer's State I.D. Number.	Not required by SSA.	Not required by SSA.
1	R	Wages, Tips Other Compensation.	<ul> <li>a. The total wages, tips and other compensation calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 1 of the Forms W-2 for that report.</li> </ul>	<ul> <li>a. Must be dollars and cents, (numerics and decimal point only).</li> <li>b. Decimal point must be shown even when the entry is even dollars.</li> <li>c. Must equal the total combined entries of box 1 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 1 of the subtotal forms W-2 submitted.</li> </ul>

<u>W-3</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
2	R	Federal Income Tax Withheld.	<ul> <li>a. The total Federal income tax withheld calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 2 of the Forms W-2 for that report.</li> </ul>	<ul> <li>a. Must be dollars and cents, (numerics and decimal point only).</li> <li>b. Decimal point must be shown even when the entry is even dollars.</li> <li>c. Must equal the total combined entries of box 2 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 2 of the subtotal forms W-2 submitted.</li> </ul>
3	R-If applicable	Social Security Wages.	<ul> <li>Required for employers reporting Social Security wages.</li> <li>a. The total Social Security wage calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 3 of the Forms W-2 for that report.</li> </ul>	<ul> <li>a. Must be either blank or a money amount.</li> <li>b. When an entry is made, the total must equal the total combined entries of box 3 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 3 of the subtotal forms W-2 submitted.</li> <li>c. If not blank, must be dollars and cents, (numerics and decimal point only).</li> <li>d. Decimal point must be shown even when the entry is even dollars.</li> <li>e. Cannot include an entry when Kind of Payer is Railroad (CT-1 is</li> </ul>

designated in Box b) or Medicare Govt. Emp. is designated in Box b.

submission.

report, based on the W-2 statements

produced in the physical report

b. The software should calculate a total

Forms W-2 for that report.

money amount equal to the sum of

the amounts reported in box 4 of the

<u>W-3</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
4	R-If applicable	Social Security Tax Withheld.	Required for all employers reporting Social Security tax withheld.	a. Must be either blank or a n amount.
			a. The total Social Security tax withheld calculation for the employer is a function of preparing the paper W-3	b. When an entry is made, the must equal the total combin of box 4 of the W-2 forms

- her blank or a money
- try is made, the total the total combined entries the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 4 of the subtotal forms W-2 submitted.
- c. If not blank, must be dollars and cents, (numerics and decimal point only).
- d. Decimal point must be shown even when the entry is even dollars.
- e. Cannot include an entry when Kind of Payer is Railroad (CT-1 is designated in Box b) or Medicare Govt. Emp. is designated in Box b.
- f. Must contain an entry if box 3 contains an entry.

<u>W-3</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
5	R-If applicable	Medicare Wages and Tips.	<ul> <li>Required for employers reporting</li> <li>Medicare wages and tips.</li> <li>a. The total Medicare wage and tip calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 5 of the Forms W-2 for that report.</li> </ul>	<ul> <li>a. Must be either blank or a money amount.</li> <li>b. When an entry is made, the total must equal the total combined entries of box 5 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 5 of the subtotal forms W-2 submitted.</li> <li>c. If not blank, must be dollars and cents, (numerics and decimal point only).</li> <li>d. Decimal point must be shown even when the entry is even dollars.</li> <li>e. Cannot include an entry when Kind of Payer is Railroad (CT-1 is designated in Box b).</li> </ul>
6	R-If applicable	Medicare Tax Withheld.	<ul> <li>Required for employers reporting</li> <li>Medicare tax withheld.</li> <li>a. The total Medicare tax withheld calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 6 of the</li> </ul>	<ul> <li>a. Must be either blank or a money amount.</li> <li>b. When an entry is made, the total must equal the total combined entries of box 6 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 6 of the subtotal forms W-2 submitted.</li> <li>c. If not blank, must be dollars and</li> </ul>

W-3 BOX	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
			Forms W-2 for that report.	<ul> <li>cents, (numerics and decimal point only).</li> <li>d. Decimal point must be shown even when the entry is even dollars.</li> <li>e. Cannot include an entry when Kind of Payer is Railroad (CT-1 is designated in Box b).</li> <li>f. Must contain an entry if box 5 conatins an entry.</li> </ul>
7	R-If applicable	Social Security Tips.	Required for employers reporting Social Security tips.  a. The total Social Security tip calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.  b. The software should calculate a total money amount equal to the sum of the amounts reported in box 7 of the Forms W-2 for that report.	<ul> <li>a. Must be either blank or a money amount.</li> <li>b. When an entry is made, the total must equal the total combined entries of box 7 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 7 of the subtotal forms W-2 submitted.</li> <li>c. If not blank, must be dollars and cents, (numerics and decimal point only).</li> <li>d. Decimal point must be shown even when the entry is even dollars.</li> <li>e. Cannot include an entry when Kind of Payer is Railroad (CT-1 is designated in Box b) or Medicare Govt. Emp. is designated in Box b.</li> </ul>
8	R-If applicable	Allocated Tips.	Required for certain types of employers.	a. Must be either blank or a money

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SOFTWARE SPECIFICATIONS AND EDITS FOR ANNUAL WAGE REPORTING

<u>W-3</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
			<ul> <li>a. The total allocated tip calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 8 of the Forms W-2 for that report.</li> </ul>	amount.  b. When an entry is made, the total must equal the total combined entries of box 8 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 8 of the subtotal forms W-2 submitted.  c. If not blank, must be dollars and cents, (numerics and decimal point only).  d. Decimal point must be shown even when the entry is even dollars.
9	R-If applicable	Advance Earned Income Credit (EIC) Payments.	<ul> <li>Required for certain types of employers.</li> <li>a. The total advanced earned income credit calculation for the employer is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 9 of the Forms W-2 for that report.</li> </ul>	<ul> <li>a. Must be either blank or a money amount.</li> <li>b. When an entry is made, the total must equal the total combined entries of box 9 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 9 of the subtotal forms W-2 submitted.</li> <li>c. If not blank, must be dollars and cents, (numerics and decimal point only).</li> <li>d. Decimal point must be shown even when the entry is even dollars.</li> </ul>
10	R-If applicable	Dependent Care	Required for employer's reporting	a. Must be either blank or a money

STANDARDS FOR HUMAN

BOX	OPTIONAL-O	DESCRIPTION	RESOURCE DEPARTMENTS	FOR SOFTWARE DEVELOPERS
		Benefits.	<ul> <li>dependent care benefits.</li> <li>a. The total dependent care benefit calculation is a function of preparing the paper W-3 report, based on the W-2 statements produced in the physical report submission.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 10 of the Forms W-2 for that report.</li> </ul>	amount.  b. When an entry is made, the total must equal the total combined entries of box 10 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 10 of the subtotal forms W-2 submitted.  c. If not blank, must be dollars and cents, (numerics and decimal point only).  d. Decimal point must be shown even when the entry is even dollars.
11	R-If applicable	Nonqualified Plans.	<ul> <li>a. Required for employers reporting (1) distributions to employees from a nonqualified deferred compensation plan and/or a Section 457 plan and/or (2) amounts deferred under a nonqualified plan which became taxable during the tax year.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts reported in box 11 of the Forms W-2 for that report.</li> </ul>	<ul> <li>a. Must be either blank or a money amount.</li> <li>b. When an entry is made, the total must equal the total combined entries of box 11 of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 11 of the subtotal forms W-2 submitted.</li> <li>c. If not blank, must be dollars and cents, (numerics and decimal point</li> </ul>

**REQUIRED-R** 

NAME/

 $\underline{W-3}$ 

only).

d. Decimal point must be shown even when the entry is even dollars.

SPECIFICATIONS AND EDITS

<u>W-3</u> <u>BOX</u>	REQUIRED-R OPTIONAL-O	NAME/ DESCRIPTION	STANDARDS FOR HUMAN RESOURCE DEPARTMENTS	SPECIFICATIONS AND EDITS FOR SOFTWARE DEVELOPERS
12	R-If applicable	Deferred Compensation.	<ul> <li>a. Required for all employers reporting employee contributions to qualified deferred compensation plans.</li> <li>b. The software should calculate a total money amount equal to the sum of the amounts with codes D through H and S reported in box 13 of the Forms W-2 for that report.</li> </ul>	<ul> <li>a. Must be either blank or a money amount.</li> <li>b. When an entry is made, the total must equal the total combined entries of box 13 code D, E, F, G, H and/or S of the W-2 forms when there is no subtotal form W-2 (excluding voided forms W-2), or the total combined entries of box 13 of the subtotal forms W-2 submitted.</li> <li>c. If not blank, must be dollars and cents, (numerics and decimal point only).</li> <li>d. Decimal point must be shown even when the entry is even dollars.</li> </ul>
13	Eliminated	Eliminated	Entries are not needed for this box.	Entries are not needed for this box.
14	Eliminated	Eliminated	Entries are not needed for this box.	Entries are not needed for this box.
15	R-If applicable	Income Tax Withheld by a Third Party Payer.	<ul><li>a. Required if you have employees who had income tax withheld on third-party payments of sick pay.</li><li>b. Entry should be numeric and cannot be negative.</li></ul>	<ul> <li>a. Must be either blank or a money amount.</li> <li>b. When an entry is made it must be dollars and cents, (numerics and decimal point only).</li> <li>c. Decimal point must be shown even when the entry is even dollars.</li> </ul>

additional information on sick pay reporting, see IRS Publication 15-A, Supplemtal Tax Guide. For additional information, please contact IRS for copies of its instructions and additional guidance (see Appendix B); **do not** contact SSA.



#### Where to File

All Forms W-3 and W-2 (Copy A) are processed at the Wilkes-Barre Data Operations Center. Completed forms should be sent to:

If United States Postal Service Send to:

Social Security Administration Data Operations Center Wilkes-Barre, PA 18769-0001 (For certified mail use ZIP code 18769-0002) If Other Carrier (e.g. FedEx, UPS) Send to:

Social Security Administration Data Operations Center Attn: AWR Process 1150 E. Mountain Drive Wilkes-Barre, PA 18702-7997

#### When to File

File TY 1997 Forms W-3 and Copy A of Forms W-2 with SSA by March 2, 1998.

Extension to file Copy A -- You may request an extension of time for filing Form W-2 (Copy A) with SSA by sending IRS Form 8809, Request for Extension of Time to File Information Returns, to the address shown on that form. To obtain this form, contact your local IRS office or call 1-800-829-3676. For your request to be considered, you must request the extension before the due date of the returns. If approved, you will have an additional 30 days to file. See Form 8809 for more details.

**NOTE:** Terminating Business--If you terminate your business, you must provide Form (s) W-2 to your employees for the calendar year of termination by the date your final Form 941 is required to be filed. Additionally, you must file Forms W-2 with the SSA by the end of the second month after the end of the quarter for which the final Form 941 is filed.

# CHAPTER 4 REPORTING EXAMPLES FOR PREPARING PAPER FORMS W-2, W-3 AND 941



#### Introduction

The purpose of this Chapter is to provide examples of proper/improper paper reporting to help employers understand and comply with the guidelines in this document. Submitting accurate annual wage reports by employers protects the public's investment in the Social Security trust funds including entitlement to benefits upon retirement, disability or death and the Medicare program. Included are examples of correctly prepared reports together with reports with errors that could have been prevented had the software used to prepare them complied with the specifications and edits. Documents covered include:

- o Form W-2, Wage and Tax Statement;
- o Form W-3, Transmittal of Wage and Tax Statements; and
- o Form 941, Employer's Quarterly Federal Tax Return.



#### **Inquiries**

Questions concerning the examples and information in this Chapter should be directed to the regional magnetic media specialists listed in Appendix A. However, tax questions or questions on tax law and regulations (including Form 941) must be addressed to the IRS Information Reporting Program Call Site at telephone number 304-263-8700 (Not a Toll Free Number). Suggestions for improving this Chapter should be directed in writing to the address on page 9.



#### **Background**

The method for computing an employee's and employer's liability for taxes owed under the FICA changed in TY 1991. Separate taxable wage bases for Social Security and Medicare were established with discrete tax rates. As a result, employers are required to compute employee withholding and employer matching contributions separately for each program. The wage bases and related tax rates are shown in the following table.

## Social Security and Medicare Table of Tax Rates and Wage Bases TY 1997

Federal Program	<u>Taxable</u> <u>Earnings</u>	Employee Withholding	Employer's Matching Contribution	Combined FICA Rate
Social Security Medicare Total FICA Rate	\$ 65,400 All*	6.20% <u>1.45%</u> 7.65%	6.20% <u>1.45%</u> 7.65%	12.40% 02.90% 15.30%

<sup>\*</sup> Beginning with TY 1994, there is no limit on the amount of wages and tips that are subject to Medicare tax.

#### **Additional Information for State and Local Government Employers**

For TY 1991 and thereafter, each State and local government employer can choose one of two methods to report instances where an employee earns (1) MQGE wages subject only to the Medicare tax and (2) wages subject to both Social Security and Medicare taxes (full-FICA) in the same TY for the same employer. This was a result of mandatory Social Security coverage of services by State and local government employees who are not members of their State or local government employers' qualified retirement system, in accordance with the Omnibus Budget Reconciliation Act of 1990, Public Law 101-508. That provision was effective for services performed July 2, 1991 and thereafter. Thus, at any time on or after such effective date, if a State or political subdivision employee becomes a member of such qualified retirement system, mandatory Social Security (full-FICA) coverage will cease. However, if the individual subsequently no longer participates in the qualified retirement system, mandatory Social Security (full-FICA) coverage will resume.

Employers are permitted the option of combined or split-reporting (see below). This applies to those State and local employees who were in a continuous employment relationship with the same employer (same EIN) during the year and who were paid wages by that employer that were subject only to Medicare tax for part of the year and that were subject to both Medicare and Social Security taxes (full-FICA) for another part of the year. Whenever this situation occurs, employers have the option of reporting employee wages and tax withheld on either a combined or split-report basis, as described below:

- One Form W-2 for each employee, combining both the MQGE-only wages and the full-FICA wages for the TY; or
- o Separate Forms W-2 for each employee for the TY--one to report the MQGE-only wages and tax withheld and another to report the full-FICA wages and taxes withheld.

The case scenario which follows illustrates various reporting situations for the Cabot Cove School District in TY 1997. The scenario consists of the following information:

- o Part 1: Employer Wage and Tax Deposit Data Forms 941, W-3 and W-2;
- o Part 2: Employee Wage and Tax Statements Forms W-3 and W-2; and
- o Exhibits: Payroll Register Data Tables.

#### PART 1 EMPLOYER WAGE AND TAX DEPOSIT DATA FORMS 941, W-3 AND W-2



#### Introduction

Part 1 contains four quarterly (and one annual mock-up of) IRS Forms 941, two Forms W-3, and eleven Forms W-2 from the Cabot Cove School District. This information illustrates how:

- o Cabot Cove reported its quarterly payroll and tax deposit data to IRS;
- o The annual sum of Cabot Cove's quarterly Form 941 data should agree with Cabot Cove's W-3 data for the same calendar year; and
- o Cabot Cove's W-3 data agree with employees' W-2 data.

The annual Form 941 mock-up (page 61) is used to show how you could use a Form 941 or other work sheet to check the accuracy of your reporting for the year. This form balances to (1) the sum of the four preceding quarterly Forms 941 (pages 57 through 60), (2) the sum of the two Forms W-3 Cabot Cove submitted to SSA (pages 62 and 68) and (3) the sum of the eleven Forms W-2 Cabot Cove issued (pages 63 through 67 and 69). In addition, the first Form W-3 (page 62) includes wage and tax data compiled under the combined reporting option elected by Cabot Cove, which consolidated both the MQGE and full-FICA wages earned by an employee based on that employee's continuing work in employment that became covered under FICA on July 1, 1997. The Form W-3 on page 62 also includes FICA-exempt employee wages compiled under the combined reporting option for wages not subject to FICA tax (employer's also have the option of grouping FICA-exempt wages and reporting those wages under a separate Form W-3). The second Form W-3 (page 68) contains MQGE wage and tax data only.

Cabot Cove's Forms 941, W-3 and W-2 contained in Part 1 are correct examples because they meet the following criteria.

#### Payroll Register versus Forms 941

- o Each quarterly Form 941 balances to (1) the sum of the corresponding employee payroll register data for each quarter (Exhibits, 2-1, 2-2, 2-3, and 2-4) and (2) the corresponding annual payroll register summary data (Exhibit 3) for each of the following:
  - a. Total wages, tips and other compensation and Federal income tax withheld;
  - b. Taxable Social Security wages and taxable Social Security tips; and
  - c. Taxable Medicare wages and tips.

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- o In terms of Social Security and Medicare wages and tips, Cabot Cove limited tax withholdings to the applicable Social Security wage base (\$65,400) and Medicare wage base (total employee compensation) for TY 1997.
- o Regarding sick pay, Cabot Cove:
  - a. Treated sick pay payments correctly in terms of identifying wages representing (1) only the percentage of the premium cost of the sick pay plan borne by Cabot Cove as Federally taxable wages and (2) only the first six months of sick pay as taxable Social Security and Medicare wages; and
  - b. Properly adjusted the Social Security and Medicare taxes withheld on each applicable Form 941 (line 9) to reflect (1) employee taxes withheld and paid by a third-party payer and (2) uncollected employee Social Security and Medicare taxes.

#### Forms 941 versus Forms W-3

- o The employer's EIN is valid and the name and address are correct on each type of form; both are reported consistently.
- o The following data from the Forms W-3 balance to the annual sum of the four quarterly Forms 941:
  - a. Wages, tips and other compensation and Federal income tax withheld;
  - b. Social Security wages and Social Security tips; and
  - c. Medicare wages and tips.
- o Regarding the Form W-3, Cabot Cove properly reported the income tax withheld by a third-party payer in Box 15 of the Form W-3, based on sick payments made to an employee by a third-party.

#### Forms W-3 versus Forms W-2

- o Each Form W-3 identifies the proper type of employment in Box b for the accompanying Forms W-2.
- o The sum of all wages and tax withheld on the Forms W-2 balance to the aggregate wages and tax withheld on the Forms W-3.

- o Regarding the Forms W-2, all:
  - a. SSNs are valid;
  - b. Employee names are properly printed (i.e., first, middle initial, last) and are consistent with the names printed on their Social Security cards (see Exhibit 1);
  - c. EINs are valid and both the EIN and employer address are consistently reported on each form; and
  - d. Money amount boxes are properly prepared because they do not contain alpha entries (except for Box 13), negative amounts, special characters or punctuation.
- o In terms of Social Security and Medicare wages and tips, Cabot Cove limited tax withholdings on the Forms W-2 to the applicable Social Security wage base (\$65,400) and Medicare wage base (total employee compensation) for TY 1997.
- o Regarding Social Security and Medicare taxes withheld, the money amounts reported reflect the proper withholding rates of 6.2 percent and 1.45 percent respectively.
- o Regarding Group-Term Life Insurance (GTLI) over \$50,000, Cabot Cove:
  - a Used the Form W-2 to report the taxable cost of GTLI over \$50,000; and
  - b. Treated the cost of GTLI over \$50,000 as income and withheld only the FICA tax on that income for current (not retired) employees.
- o Cabot Cove properly reported nonqualified deferred compensation by:
  - a. Including on the Form W-2 contributions to the plan<sup>1</sup> in Boxes 3 and 5 and reporting the respective tax withholdings on those contributions in boxes 4 and 6;
  - b. Including on the Form W-2 distributions from the plan as income in box 1 and reporting Federal income tax withholding on those distributions in box 2; and
  - c. Reporting the contributions to and distributions from the plan as one money amount in box 11 on Forms W-2 and W-3.

<sup>&</sup>lt;sup>1</sup>Contributions that became taxable during the year based on the <u>later</u> of (1) when the services giving rise to the deferral are performed or (2) when there is no substantial forfeiture risk of rights to the deferred amounts.

#### Form **941**

#### **Employer's Quarterly Federal Tax Return**

(Rev. January 1997) Department of the Treasury Internal Revenue Service (O)

See separate instructions for information on completing this form.

Please type or print.

Enter s		Name(as distinguished from trade	name)	Date quarter ende	ed	OMB No. 1545-0029 T FF		
state ir		CABOT COVE SCHOOL		March 31, 1997		FD		
which deposi- made.	ts	Trade name, if any		Employer identifi	ication number	FP I T		
(see				55-5678910		1		
page 3 instruc	of ctions).	Address (number and street)		City, state, and Z	IP code			
		123 EDUCATION WAY		BALTIMORE, M	ID 21201			
If addrediffered from preturn, here	nt rior	5 6 7 8 8 8 8	3 3 3 3 8	9 10 10 10	10 10 10 10 10	10		
		returns in the future, check here				_		
•	-	ployer, see Seasonal employers on pages (except household) employed in the	-			1	10	
	* *	, , ,	1 7 1					
		s, plus other compensation thheld from wages, tips, and sick pa				. 2.	. 140894 63 . . 28178 93 .	
		neld income tax for preceding quarter				. 4.		
5 A d	lingted total of inc	come tax withheld (line 3 as adjusted	by line 4 see in	estructions)		5.	. 28178 93.	
6 Tax	xable social securi	ity wages	6a .   \$ 97260	88	$\dot{X}12.4\%(.124) =$		12060 35	
Tax	xable social securi	ity tips	6c . \$ 1008	75	X12.4%(.124) =	6d	125 09	
		vages and tips			X 2.9%(.029) =	7b	3679 94	
		and Medicare taxes (add lines 6b, 6c				8	15065 20	
		cial security and/or Medicare tax l security and Medicare taxes (see in			···· <u>···</u> )	8	15865 38	
		Fractions of Cents \$				9		
10 A	djusted total of so	cial security and Medicare taxes (lin-	e 8 as adjusted by	y line 9see instru	ctions)	10	15865 38	
11 Te	otal taxes (add lin	es 5 and 10)				.1.1.	44044.31	
		come credit (EIC) payments made to				.12		
		line 12 from line 11). This should eq				1.0	4404421	
((	or line D of Sched	lule B (Form 941))	• • • • • • • • • • • • • • • • • • • •		• • • • • • • • • • • • • • •	. 13.	44044 31 .	
14 To	otal deposits for q	uarter, including overpayment applie	ed from a prior qu	ıarter		14 .	44044 31	
		act line 14 from line 13). See instructed 14 is more than line 13, enter excess		\$		15		
	d check if to be:	Applied to next return OR		funded.				
		e 13 is less than \$500, you need not c						
		nedule depositors: Complete Schedul						
		lle depositors: Complete line 17, colu	umns (a) through	(a) and check her	e			
		of Federal Tax Liability.	( ) 701 : 1	A. 11.1.110	(1) 75 : 12	1 '1'	C	
(a) Firs	st month liability 14681.44	(b) Second month liability 14681.44	(c) Third mon	1th liability 31.43	(d) Total lia		y for quarter 44.31	
<u> </u>							<u>'</u>	
Sian	•	of perjury, I declare that I have exam			anying schedules	and	statements,	
Sign	and to the best o	f my knowledge and belief, it is true	, correct, and con	-				
Here	C: am a 4			Print Your			Doto	
For Par	Signature perwork Reduction	n Act Notice, see page 1 of separate	instructions.	Name and Title Cat. No. 1700	1Z Form	941	<b>Date</b> (Rev. 1-97)	

#### 2nd Quarter

#### Form **941**

#### **Employer's Quarterly Federal Tax Return**

(Rev. January 1997)
Department of the Treasury
Internal Payonus Sorvice (A)

See separate instructions for information on completing this form.

Internal Revenue	Service (O)	Please type or pr	int.			
Enter state	Name(as distinguished from trade name)	Date quarter en	nded	T	B No. 1545-0	0029
code for state in which	CABOT COVE SCHOOL	June 30, 1997		FF FD FP		
deposits made.	Trade name, if any	Employer iden	Employer identification number			
(see page 3 of		55-5678910		T		
instructions).	Address (number and street)	City, state, and	d ZIP code			
	123 EDUCATION WAY	BALTIMORE	, MD 21201			
If address is different from prior return, check here	5 5 5 6 7 8 8 8 8 8 8	9 9 9 10 10 1	10 10 10 10 10 10	10		
	e to file returns in the future, check here		final wages paid			
•	mployees (except household) employed in the pay per			1		
3 Total income	and tips, plus other compensation			2	139258 27851	
5 Adjusted tota	of withheld income tax for preceding quarters of calenal of income tax withheld (line 3 as adjusted by line 4 all security wages	- see instructions)		5	27851 15924	
	ll security tips		X12.4%(.124) = X 2.9%(.029) =		125 5099	
8 Total social s are not subje	security and Medicare taxes (add lines 6b, 6d, and 7b).	Check here if wages		8	21149	
Sick Pay \$ 1		<u>+</u> Other \$	=	9	<122	
	al of social security and Medicare taxes (line 8 as adju	•		10	21027	
	add lines 5 and 10)				48878	.7.9
13 Net taxes (si	ned income credit (EIC) payments made to employee abtract line 12 from line 11). This should equal line 17 f Schedule B (Form 941))	, column (d) below			4887.8	79.
	ts for quarter, including overpayment applied from a p					
15 Balance due	(subtract line 14 from line 13). See instructions	-		15		
and check	If to be: Applied to next return OR  If time 13 is less than \$500, you need not complete li	Refunding 17 or Schedule B.	ed.			

	o Monthly schedule depositors: Complete line 17, columns (a) through (d) and check here										
ľ	17 Monthly Summary of Federal Tax Liability.										
İ	(a) First month liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter							
I	16292.93	16292.93	16292.93	48878.79							

(a) First month hability (b) Second month hability (c) Third month hability (d) Total hability for quarter 16292.93 16292.93 48878.79

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements,

Sign and to the best of my knowledge and belief, it is true, correct, and complete.

Here Print Your

o Semiweekly schedule depositors: Complete Schedule B and check here . . . . . . . .

Signature Name and Title Date

#### **3rd Quarter**

#### Form **941**

#### **Employer's Quarterly Federal Tax Return**

(Rev. January 1997) Department of the Treasury 4141

See separate instructions for information on completing this form.

IIIternar i	Revenue Service (O)		Ple	ase type or p	rınt.			
Enter st		uished from trade name)		Date quarter e	ended	T	B No. 1545-0	0029
code for state in which	CABOT COVE	SCHOOL		September 30	, 1997	FF FD FP		_
which deposits made . [	Trade name, if an	ny		Employer ide	ntification number	I T		
(see page 3 o	 f			55-5678910		1		
instructi		r and street)		City, state, an	d ZIP code			
	123 EDUCATIO	N WAY		BALTIMORI	E, MD 21201			
If addres different from prio return, cl here [	or		3 3 3 3	9 10 10	10 10 10 10 10 10	10		
		the future, check here						
	1 7	Seasonal employers on page						
		nousehold) employed in the				1		
		r compensation				3.	125484	
		tax for preceding quarters of					23030	.91
5 Adjı	usted total of income tax wi	thheld (line 3 as adjusted by	line 4 - see in	structions)			25096	97
				08	X12.4%(.124) =		7251	
		ps		75 1 83	X12.4%(.124) = X 2.9%(.029) =		125 3102	
8 Tota	al social security and Medic	are taxes (add lines 6b, 6d, a	and 7b). Check	here if wages	S			
are i 9 Adii	not subject to social security as	y and/or Medicare tax		 iired explanat		8	10478	68
Sick	Pay \$ <u>367.20</u> ± Fra	actions of Cents \$	± Oth	ier \$	<u>=</u>	9	<367	
10 Adj	usted total of social security	y and Medicare taxes (line 8	as adjusted by	line 9see in	structions)	10	10111	48
11 Tot	al taxes (add lines 5 and 10	)				.1.1.	35208	.45 .
12 Adv	vance earned income credit	(EIC) payments made to en a line 11). This should equal	nployees			.12		
		m 941))				13.	35208	45
14 Tot	al deposits for quarter, inclu	ading overpayment applied	from a prior qu	arter		.14	35208	45
15 Bal	ance due (subtract line 14 f	rom line 13). See instructio	ns			15		
16 Ove	erpayment, if line 14 is mor	e than line 13, enter excess l	here	\$	_	10		
and check if to be: Applied to next return OR Refunded.  o All filers: If line 13 is less than \$500, you need not complete line 17 or Schedule B. o Semiweekly schedule depositors: Complete Schedule B and check here								
	nthly Summary of Federal (a) First month liability	(b) Second month liability	(c) Third mon	th liability	(d) Total lia	ahili	ty for anar	ter
	11736.15	11736.15		36.15	(4) Total III		35208.45	
		I declare that I have examine		_	ompanying schedules	and	statement	s,
Sign	and to the best of my knowl	ledge and belief, it is true, co	orrect, and com	plete.				
Here	Signature			nt Your me and Title	Da	te		

#### 4th Quarter

#### Form **941**

### (Rev. January 1996)

#### **Employer's Quarterly Federal Tax Return**

See separate instructions for information on completing this form.

Department of the Treasury Internal Revenue Service (O Please type or print. OMB No. 1545-0029 **Enter state** Name(as distinguished from trade name) Date quarter ended code for FF state in CABOT COVE SCHOOL December 31, 1997 FD which FP deposits Trade name, if any Employer identification number made. 55-5678910 (see page 3 of instructions). Address (number and street) City, state, and ZIP code 123 EDUCATION WAY BALTIMORE, MD 21201 If address is different from prior return, check here and enter date final wages paid . . . . . If you are a seasonal employer, see Seasonal employers on page 1 of the instructions and check here 1 Number of employees (except household) employed in the pay period that includes March 12th . 1 2 124021 51 24639 30 5 Adjusted total of income tax withheld (line 3 as adjusted by line 4 - see instructions) . . . 24639 30 X12.4%(.124) = 

 6 Taxable social security wages
 . 6a. | \$ . 55412

 Taxable social security tips
 . 6c. | \$ . . 1008

 6871 18 75 X12.4%(.124) = 6d125 09 51 X 2.9%(.029) =3013 72 8 Total social security and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages 8 10009 99 Adjustment of social security and Medicare taxes (see instructions for required explanation) \* Fractions of Cents \$  $\pm$  Other \$ 51.64 9 Sick Pay \$ <296 44> 土 10 Adjusted total of social security and Medicare taxes (line 8 as adjusted by line 9--see instructions) 10 9713 55 1.1. 34352 85. 12 12 Advance earned income credit (EIC) payments made to employees...... 13 Net taxes (subtract line 12 from line 11). This should equal line 17, column (d) below (or line D of Schedule B (Form 941))..... 13 . . . 34352 85 . . 15 15 Balance due (subtract line 14 from line 13). See instructions . . . . . 16 Overpayment, if line 14 is more than line 13, enter excess here and check if to be: Applied to next return Refunded. o All filers: If line 13 is less than \$500, you need not complete line 17 or Schedule B. Monthly Summary of Federal Tax Liability. (a) First month liability (b) Second month liability (c) Third month liability (d) Total liability for quarter 11450.95 11450.95 11450.95 Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, Sign and to the best of my knowledge and belief, it is true, correct, and complete. Here **Print Your** Signature Name and Title **Date** 

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

Cat. No. 17001Z

<sup>\*</sup> Include a statement explaining that the other adjustment comprised of uncollected employee Social Security tax (\$41.85) and uncollected Medicare tax (\$9.79) on GTLI.

#### Annual Mock-up, Form 941

#### Form **941**

### **Employer's Quarterly Federal Tax Return**

(Rev. January 1997) Department of the Treasury Internal Revenue Service (O)

See separate instructions for information on completing this form.

Please	tyne	or	nrint	
I ICUSC	UND		PIIII	

Enter sta	ite	Name(as distinguished from trade name)  Date quarter ended	OM T FF	B No. 1545-0	0029				
state in		CABOT COVE SCHOOL	FD						
which deposits made . [		Trade name, if any  Employer identification number $\overline{I}$ $\overline{T}$							
(see		55-5678910							
page 3 of instruction		Address (number and street)  City, state, and ZIP code 123 EDUCATION WAY  BALTIMORE, MD 21201							
If address different from prior return, chere	or neck	1       1	10						
•		to file returns in the future, check here and enter date final wages paid							
		al employer, see Seasonal employers on page 1 of the instructions and check here		10					
		aployees (except household) employed in the pay period that includes March 12th	1	10 520(50)	00				
		nd tips, plus other compensation	3.	529659 1057.66					
		withheld income tax for preceding quarters of calendar year							
		of income tax withheld (line 3 as adjusted by line 4 - see instructions) security wages	.5. 6a	105766					
Taxat	ble social	security tips	6c	500	34				
7 Taxa	ble Medi	care wages and tips	7b	14896	11				
		ccurity and Medicare taxes (add lines 6b, 6d, and 7b). Check here if wages to social security and/or Medicare tax	8	57503	63				
9 Adju		social security and Medicare taxes (see instructions for required explanation)	9	<786					
		<del></del> - <del></del> -	10	56717					
11 Tota	al taxes (a	dd lines 5 and 10)	1.1.	1.62484.	.39.				
12 Adv	ance earn	ned income credit (EIC) payments made to employees	12						
		Schedule B (Form 941))	13.	162484	39				
14 Tota	al deposit	s for quarter, including overpayment applied from a prior quarter	14.	162484	39				
15 Bala	ince due (	(subtract line 14 from line 13). See instructions	15						
16 Over	rpayment	, if line 14 is more than line 13, enter excess here \$							
and c	check if to	be Applied to next return OR Refunded.							
o \$	Semiweel	If line 13 is less than \$500, you need not complete line 17 or Schedule B. kly schedule depositors: Complete Schedule B and check here							
	•	mary of Federal Tax Liability.							
(a)	) First mo	onth liability (b) Second month liability (c) Third month liability (d) Total liability for	or q	uarter	_				
1	Jnder pen	alties of perjury, I declare that I have examined this return, including accompanying schedules	and	statements	s,				
l l	-	best of my knowledge and belief, it is true, correct, and complete.							
Here	Signature	Print Your Name and Title	Dat	ta					
				(Rev 1-0	<b>9</b> 71				

#### Combined W-3 for full-FICA W-2s, FICA-Exempt W-2, and optional combined MQGE and full-FICA W-2

a Control number		For Officia	•					
		OMB No. 1	1545-0008					
b	941	Military	943	1 Wages, tips, other compensation	2 Federal income tax withheld			
Kind	X			475659.00	94966.80			
of			Medicare	3 Social security wages	4 Social security tax withheld			
Payer	CT-1	Hshld.	govt. emp.	342709.00	21261.91			
c Total number of state	ements	d Establish	nment number	5 Medicare wages and tips	6 Medicare tax withheld			
10				459659.00	6655.27			
e Employer's indentifie				7 Social security tips	8 Allocated tips			
55-5678910				4035.00	10 D			
f Employer's name	CABOT	COVE SCHOO	ī.	9 Advance EIC payments	10 Dependent care benefits			
				11 Nonqualified plans	12 Deferred Compensation			
	123 EDU	CATION WAY	7	59600.00				
	BALTIM	ORE, MD 212	01					
				13				
				14				
g Employer's address a				1.2.2				
h Other EIN used this	year			15 Income tax withheld by third-party payer 2240.00				
i Employer's state I.D.	No			2240.00				
1 Employer's state 1.D.	NO.							
Under penalities of perjuithey are true, correct, and	•	nt I have exami	ned this return and	accompanying documents, and to the best of	my knowledge and belief,			
Signature				Title	Date			
Telephone number	( )							
Form W-3 Transm	ittal of Wa	ge and Tax	Statements 19	997	Department of the Treasury Internal Revenue Service			

#### Active/full-FICA

a Control number	Void	For Official Use C								
22222		OMB No. 1545-00	008							
b Employer's identification number				1 Wages, tips, othe		sation	2	2 Federal income tax withheld		
55-5678910				45229.0	0			9045.80		
c Employer's name, address, and ZIP code				3 Social security w	ages		4	4 Social security tax withheld		
				45229.0	0			2804.20		
CABOT COVE SCI		5 Medicare wages	and tips		16	5 Medicare tax withheld				
123 EDUCATION '	WAY			45229.0	0			655.82		
BALTIMORE, MD	7 Social security tij	os		8	8 Allocated tips					
d Employee's social security number 699-01-0101				9 Advance EIC payment			1	10 Dependent care benefits		
e Employee's name (first, middle initial, last) ELIZABETH L STROSNIDER				11 Nonqualified plans			1	12 Benefits included in box 1		
567 ELM RD BALTIMORE, MD	13 See Instrs. for b	oox 13		1	14 Other					
				15 Statutory Dec	ceased	Pension	Lega	l Hshld. Subtotal Deferred		
f Employee's address and ZIP code				employee	]	plan	rep	emp. compensation		
16 State   Employer's state ID	No 17 Stat	e wages, tips, etc.	18	State income tax	19 Loca	lity name	20 L	ocal wages, tips, etc. 21 Local income tax		

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service For Paperwork Reduction Act Notice,

For Paperwork Reduction Act Notice, see separate instructions.

Wage and Tax
W-2 Statement 1997
Copy A For Social Security Administration

#### Active/full-FICA

a Control number Void For Official Use Only OMB No. 1545-0008			
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld	
55-5678910	35550.00	7110.00	
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld	
	31515.00	2204.10	
CABOT COVE SCHOOLS	5 Medicare wages and tips	6 Medicare tax withheld	
123 EDUCATION WAY	35550.00	515.48	
BALTIMORE, MD 21201	7 Social security tips 4035.00	8 Allocated tips	
d Employee's social security number	9 Advance EIC payment	10 Dependent care benefits	
234-56-7890			
e Employee's name (first, middle initial, last)	11 Nonqualified plans	12 Benefits included in box 1	
DIEGO GARCIA-y-VEGA			
	13 See instrs for Box 13	14 Other	
432 SMITH AVE.			
BALTIMORE, MD 21201			
	15 Statutory Deceased Pension Legal	Hshld. Subtotal Deferred	
f Employee's address and ZIP code	employee plan rep	emp. compensation	
16 State Employer's state I.D. No 17 State wages, tips, etc. 18 St	ate income tax 19 Locality name 20 Loca	al wages, tips, etc. 21 Local income tax	

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
For Paperwork Reduction Act Notice,
see separate instructions.

Wage and Tax
W-2 Statement 1997
Copy A For Social Security Administration

#### Active/full-FICA

a Control nu	umber	22222	V [		For Official Use O OMB No. 1545-0	•							
b Employer			mber				1 Wages, tips,		ensation		2 Federal income tax withheld		
55-5678910 c Employer's name, address, and ZIP code				3 Social secur	ity wages			4 Social security t	200.00 ax withheld				
					65	5400.00			40	)54.80			
CABOT COVE SCHOOLS					5 Medicare w		1		6 Medicare tax wi	thheld			
1	123 EDU	CATION	WAY				130	5000.00			19	972.00	
BALTIMORE, MD 21201					7 Social security tips				8 Allocated tips				
d Employee's social security number 567-89-0123				9 Advance EIC payment			10 Dependent care benefits						
				11 Nonqualified plans				12 Benefits includ	led in box 1				
-		TERN AV ORE, MD		1			13 See instrs t	for Box 13			14 Other		
f Employee's address and ZIP code					15 Statutory employee	Deceased	Pension plan	Legal rep	Hshld. Subtoti	al Deferred compensation			
16 State	Employe	er's state II	) No	17 State	wages, tips, etc.	18 State	e income tax	19 Local	lity name	20 Loca	al wages, tips, etc.	21 Local income tax	

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
For Paperwork Reduction Act Notice,
see separate instructions.

W-2 Statement 1997 Copy A For Social Security Administration

Wage and Tax

#### Active/full-FICA

a Control number Void For Official Use Only OMB No. 1545-0008		
b Employer's identification number 55-5678910	1 Wages, tips, other compensation 27383.00	2 Federal income tax withheld 5476.60
c Employer's name, address, and ZIP code	3 Social security wages 25783.00	4 Social security tax withheld 1598.55
CABOT COVE SCHOOLS 123 EDUCATION WAY	5 Medicare wages and tips 25783.00	6 Medicare tax withheld 373.85
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips
d Employee's social security number 456-78-9012	9 Advance EIC payment	10 Dependent care benefits
e Employee's name (first, middle initial, last)  JOSE SCHAEFFER	11 Nonqualified plans	12 Benefits included in box 1
901 AIRY WAY BALTIMORE, MD 21201	13 See instrs for Box 13 J 7466.67	14 Other SK PAY - Acme Ins. Co.
f Employee's address and ZIP code	15 Statutory Deceased Pension Legal employee plan rep	Hshld. Subtotal Deferred emp. compensation
16 State Employer's state ID No 17 State wages, tips, etc. 18 State	income tax 19 Locality name 20 Lo	ocal wages, tips, etc. 21 Local income tax

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
For Paperwork Reduction Act Notice,
see separate instructions.

W-2 Statement Copy A For Social Security Administration

Wage and Tax

1997

#### Active/full-FICA

a Control number	22222	V [		For Official Use C OMB No. 1545-00									
b Employer's iden 55-567		mber	•			1 Wages, tips,	other compe	ensation		2 Federal		ax with 4.40	nheld
c Employer's name	e, address, a	nd ZIP	code			3 Social secur 25	ity wages 172.00			4 Social s	-	x with 0.66	held
	T COVE SC OUCATION		S			5 Medicare wa	ages and tips 172.00			6 Medica		hheld 1.99	
BALTI	MORE, MD	2120	1			7 Social secur	ity tips			8 Allocate	ed tips		
d Employee's soci 678-90	•	umber				9 Advance EI	C payment			10 Depen	dent care	benefi	ts
e Employee's nam LOIS (	e (first, mide S SHEPPAR		ial, last)			11 Nonqualifi	ed plans			12 Benefi	its include	ed in b	ox 1
	OWSER ST. MORE, MD	2120	1			13 See instrs f	or Box 13			14 Other			
f Employee's addr	ess and ZIP	code				15 Statutory employee	Deceased	Pension plan	Legal rep	Hshld.	Subtotal	_	Deferred ompensation
16 State Emplo	yer's state II	No No	17 State	wages, tips, etc.	18 State	e income tax	19 Local	ity name	20 Loca	al wages, t	ips, etc.	21 Lo	cal income tax
					C-t N-	10124D		D		- T	T . 1	D.	C

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service For Paperwork Reduction Act Notice, see separate instructions.

W-2 Statement 1997 Copy A For Social Security Administration

Wage and Tax

#### Active/(MQGE/full-FICA)

a Control number Void For Official Use Only OMB No. 1545-0008	7	
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld
55-5678910	60500.00	12100.00
c Employer's name, address, and ZIP code	3 Social security wages 30250.00	4 Social security tax withheld 1875.50
CABOT COVE SCHOOLS	5 Medicare wages and tips	6 Medicare tax withheld
123 EDUCATION WAY	60500.00	877.25
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips
d Employee's social security number 023-45-6789	9 Advance EIC payment	10 Dependent care benefits
e Employee's name (first, middle initial, last)  JOHN R McNAMARA	11 Nonqualified plans	12 Benefits included in box 1
800 CLARK RD. SEVERN, MD 21144	13 See instrs for Box 13	14 Other
	15 Statutory Deceased Pension Leg employee plan rep	
16 State Employer's state ID No 17 State wages, tips, etc. 18	State income tax 19 Locality name 20	Local wages, tips, etc. 21 Local income tax

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service
For Paperwork Reduction Act Notice,
see separate instructions.

W-2 Statement 1997 Copy A For Social Security Administration

Wage and Tax

#### Active/FICA-exempt

a Control number	22222	Void	For Official Use C OMB No. 1545-00	•						
b Employer's iden	tification nu	mber	<b>"</b>		1 Wages, tips,	other compe	ensation	2	Federal income tax	withheld
55-567						00.00			1120	0.00
c Employer's name	e, address, a	nd ZIP code			3 Social secur	ity wages		4	Social security tax	withheld
	T COVE SC OUCATION				5 Medicare w	ages and tips		6	Medicare tax withl	neld
BALTI	MORE, MD	21201			7 Social secur	ity tips		8	Allocated tips	
d Employee's soci 701-23	•	umber			9 Advance EI	C payment		10	Dependent care b	enefits
e Employee's nam MARY	e (first, midd V SMITH	lle initial, la	et)		11 Nonqualifi	ed plans		12	2 Benefits included	in box 1
	OWER ST.	21201			13 See instrs f	for Box 13		14	4 Other	
					15 Statutory	Deceased	Pension	Legal	Hshld. Subto	otal Deferred
f Employee's addr	ess and ZIP	code			employee		plan	rep	emp.	compensation
16 State Emplo	yer's state II	) No 17 S	ate wages, tips, etc.	18 Stat	e income tax	19 Local	ity name	20 Lo	ocal wages, tips, etc	21 Local income tax
L										
	Wage and	Tax		Cat. No	. 10134D		Departr	nent of	the Treasury-Intern	nal Revenue Service

Wage and Tax W-2 Statement 1997 Copy A For Social Security Administration

Department of the Treasury-Internal Revenue Service

For Paperwork Reduction Act Notice, see separate instructions.

#### Active/full-FICA

a Control r	number 2222		/oid	For Official Use OMB No. 1545-0	•						
	r's identification i 55-5678910	number				1 Wages, tips,	other compe	ensation		2 Federal income t	ax withheld 000.00
c Employe	r's name, address,	and ZII	code			3 Social secur 50	ity wages 150.00			4 Social security to 31	ax withheld 09.30
	CABOT COVE S 123 EDUCATIO		LS			5 Medicare w	ages and tips 150.00			6 Medicare tax wi	thheld 27.18
	BALTIMORE, M	ID 2120	)1			7 Social secur	ity tips			8 Allocated tips	
1 -	e's social security 666-78-9012	number	•			9 Advance EI	C payment			10 Dependent care	benefits
	e's name (first, mi THOMAS J MAS		tial, last)			11 Nonqualifi	ed plans			12 Benefits includ	ed in box 1
	911 BANK ST. BALTIMORE, M	ID 2122	24			13 See instrs f	For Box 13			14 Other	
f Employe	ee's address and Z	IP code				15 Statutory employee	Deceased	Pension plan	Legal rep	Hshld. Subtota	l Deferred compensation
16 State	Employer's state	ID No	17 Stat	e wages, tips, etc.	18 Stat	e income tax	19 Local	lity name	20 Loca	al wages, tips, etc.	21 Local income tax
	Wage aı	nd Tax			Cat. No	. 10134D	1	Departi		ne Treasury-Interna Paperwork Redu	

Cat. No. 10134D Wage and Tax W-2 Statement Copy A For Social Security Administration 1997

see separate instructions.

#### Retired/full-FICA

a Control	number	22222	V		For Official Use O OMB No. 1545-00	•						
b Employe	er's identi	fication nu	mber				1 Wages, tips,	other compe	ensation		2 Federal income	tax withheld
	55-5678	910					390	00.00			78	00.00
c Employe	er's name	, address, a	nd ZIP	code			3 Social secur	ity wages			4 Social security t	ax withheld
							654	100.00			40.	54.80
	CABOT	COVE SC	HOOL	_S			5 Medicare wa	ages and tips			6 Medicare tax wi	thheld
	123 EDI	UCATION	WAY				806	500.00			11	68.70
	BALTIN	MORE, ME	2120	)1			7 Social secur	ity tips			8 Allocated tips	
d Employe	ee's socia	l security n	umber				9 Advance EI	C payment			10 Dependent care	e benefits
	719-54-	3210									•	
e Employe	ee's name	(first, mide	dle init	ial, last)			11 Nonqualifi	ed plans			12 Benefits includ	led in box 1
	NICOLI	E CRAIG					590	500.00				
							13 See instrs f	or Box 13			14 Other	
	657 JOE	RD.										
	BALTIN	MORE, ME	2120	2								
							15 Statutory	Deceased	Pension	Legal	Hshld. Subtota	al Deferred
f Employe	ee's addro	ess and ZIP	code				employee		plan	rep	emp.	compensation
16 State	Employ	er's state II	) No	17 State	e wages, tips, etc.	18 Stat	e income tax	19 Local	lity name	20 Loca	al wages, tips, etc.	21 Local income tax
	I											

Cat. No. 10134D

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#### Retired/full-FICA

a Control number Void For Official Use Only OMB No. 1545-0008		
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld
55-5678910	675.00	
c Employer's name, address, and ZIP code	3 Social security wages 675.00	4 Social security tax withheld
CABOT COVE SCHOOLS	5 Medicare wages and tips	6 Medicare tax withheld
123 EDUCATION WAY	675.00	
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips
d Employee's social security number	9 Advance EIC payment	10 Dependent care benefits
543-21-0987		
e Employee's name (first, middle initial, last) SAMUEL L JOHNSON	11 Nonqualified plans	12 Benefits included in box 1
	13 See instrs for Box 13	14 Other
1122 CHERRY LANE RD.	C 675.00	
SEVERN, MD 21144	M 41.85	
	N 9.79	
	15 Statutory Deceased Pension Legal employee plan rep	Hshld. Subtotal Deferred emp. compensation
f Employee's address and ZIP code	employee plan rep	Compensation
16 State Employer's state ID No 17 State wages, tips, etc. 18 S	tate income tax 19 Locality name 20 Local	wages, tips, etc. 21 Local income tax

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Wage and Tax 1997 W-2 Statement Copy A For Social Security Administration

#### W-3 for MQGE W-2s

a Control number		For Officia	l Use Only			
		OMB No. 1	545-0008			
b <b>Kind</b>	941	Military	943	1 Wages	tips, other compensation 54000.00	2 Federal income tax withheld 10800.00
of Payer C	T-1	Hshld.	Medicare govt. emp.	3 Social	security wages	4 Social security tax withheld
c Total number of statem	ents	d Establish	ment number	5 Medica	are wages and tips 54000.00	6 Medicare tax withheld 783.00
e Employer's indentificat 55-56	ion number 78910			7 Social	security tips	8 Allocated tips
f Employer's name	CABOT CO	OVE SCHOO	L	9 Advan	ce EIC payments	10 Dependent care benefits
		ATION WAY		11 Nonq	ualified plans	12 Deferred Compensation
	BALTIMO	RE, MD 2120	01	13		
g Employer's address and	d ZIP code			14		
h Other EIN used this year	ar			15 Incon	ne tax withheld by third-part	y payer
i Employer's state I.D. No						
Under penalities of perjury, belief, they are true, correct		ave examined	this return and acc	companying doc	cuments, and to the best of m	ny knowledge and
Signature			Title		Date	
Telephone number	( )				_	
Form W.3 Trai	nsmittal of W	age and T	av Statements	1997		Department of the Treasury

#### Active/MQGE

a Control number Void For Official Use On OMB No. 1545-0008	•	
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld
55-5678910	54000.00	10800.00
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld
CABOT COVE SCHOOLS	5 Medicare wages and tips	6 Medicare tax withheld
123 EDUCATION WAY	54000.00	783.00
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips
d Employee's social security number 345-67-8901	9 Advance EIC payment	10 Dependent care benefits
e Employee's name (first, middle initial, last)  ALFREDO G MARANO	11 Nonqualified plans	12 Benefits included in box 1
123 MAPLE STREET BALTIMORE, MD 21201	13 See instrs for Box 13	14 Other
f Employee's address and ZIP code	15 Statutory Deceased Pension Leg	gal Hshld. Subtotal Deferred emp. compensation
16 State Employer's state ID No 17 State wages tips etc 1	8 State income tax 19 Locality name 20	Local wages tips etc 21 Local income tax

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service

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Wage and Tax
W-2 Statement 1997
Copy A For Social Security Administration

# PART 2 EMPLOYER WAGE AND TAX STATEMENTS FORMS W-3 AND W-2



#### Introduction

Part 2 contains Forms W-2 and various supporting Forms W-3. This information illustrates, on pages 73 through 87, correct versus incorrect reporting for:

- o Employee names and SSNs;
- o An EIN;
- o Social Security wages and taxes;
- o Medicare wages and taxes;
- o FICA-Exempt wages and taxes;
- o GTLI over \$50,000;
- o Third-party sick pay; and
- o Nonqualified deferred compensation.

Part 2 also illustrates both the split and combined reporting options for a State or Local Government employee who earned wages subject to the Medicare tax only, then became covered for full-FICA effective July 1, 1997.

- o Two sets of W-2/W-3 forms (pages 88-89) illustrate the split reporting option with wages earned under each type of employment. The data on each Form W-2 is separately isolated for that employee on a corresponding Form W-3 to illustrate how Cabot Cove should incorporate the Form W-2 data on separate Forms W-3, each reflecting a different type of employment.
- o One set of Forms W-2/W-3 (page 90) illustrates the combined reporting option and isolates how the Form W-3 should reflect only one type of employment (i.e., 941).

#### FORM W-2: CORRECT vs. INCORRECT REPORTING - COMMON ERRORS

A. Elizabeth Lee Strosnider is an employee subject to full-FICA. No tips were earned. The following W-2 facsimile illustrates the correct way to prepare the W-2.

a Control numbe		Void	For Official Use		•						
	22222		OMB No. 1545-	000	8						
b Employer's ide 55-56	ntification nun 78910	ıber	-		1 Wages, tips, other 45229.0		ation	2 Fede		e tax withh 9045.80	ield
c Employer's nar	ne, address, an	d ZIP code			3 Social security w 45229.0			4 Socia		tax withhe 2804.20	eld
	OT COVE SCI DUCATION V				5 Medicare wages 45229.0			6 Medi	icare tax w	vithheld 655.82	
BALT	TIMORE, MD	21201			7 Social security ti	ps		8 Allo	cated tips		
d Employee's soo 699-0	cial security nu 1-0101	mber			9 Advance EIC pa	yment		10 Dep	endent ca	re benefits	;
e Employee's nar ELIZ	ne (first, middl ABETH L STR				11 Nonqualified p			12 Ben	efits inclu	ided in Bo	x 1
	LM RD. TIMORE, MD	21201			13 See instrs for B	ox 13		14 Oth	er		
f Employee's ad-	dress and ZIP	code			15 Statutory December 15 Decem	ceased	Pension plan	Legal rep	Hshld.	Subtotal	Deferred compensation
16 State Empl	oyer's state ID	No 17 Stat	e wages, tips, etc.	18	State income tax	19 Locali	ty name 2	0 Local w	ages, tips,	, etc. 21 Lo	ocal income tax
	Wage and	Гах			Cat. No. 10134D	•	Departme				venue Service n Act Notice,
W-2 Copy A For Soc	Statement		199 <b>7</b>						see	separate i	instructions.

The following W-2 for Elizabeth Lee Strosnider is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number Void For Official Use Only OMB No. 1545-0008		
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld
55-5678910	45229.00	9045.80
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld
	45229.00	2804.20
CABOT COVE SCHOOLS	5 Medicare wages and tips	6 Medicare tax withheld
123 EDUCATION WAY	45229.00	655.82
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips
d Employee's social security number 555-67-8910	9 Advance EIC payment	10 Dependent care benefits
e Employee's name (first, middle initial, last) BETTY L STROSNIDER	11 Nonqualified plans	12 Benefits included in Box 1
567 ELM RD. BALTIMORE, MD 21201	13 See instrs for Box 13	14 Other
	15 Statutory Deceased Pension	Legal Hshld. Subtotal Deferred
f Employee's address and ZIP code	employee plan	rep emp. compensation
16 State Employer's state ID No 17 State wages tips etc 18 Sta	te income tax   19 Locality name   20	Local wages tips etc 21 Local income tax
Ca	t No. 10134D Department	of the Treasury-Internal Revenue Service

The W-2 above is incorrect because the preparer recorded the EIN in box d, "Employee's Social Security number" and used the employee's nickname in box e, "Employee's name" instead of the proper first name. The name used in box e should be same as the name shown on the Social Security card. Recording an incorrect or improper name may result in SSA being unable to credit the wages to the employee's Social Security record. A typical error, as in this example, occurs when the preparer substitutes a nickname for the proper first name. Incorrect SSNs are also a common problem. Preparers frequently transpose digits, use another person's SSN, enter the EIN instead of the SSN or fail to record the complete SSN.

1997

For Paperwork Reduction Act Notice,

see separate instructions.

Wage and Tax

Statement

Copy A For Social Security Administration

W-2

	number 22222	Void For Official Us OMB No. 1545						
n Emale-			-0008	1 Wagas tig-	other commenced:		2 Federal incom	o tov withhold
	ver's identification number 55-5678910			35550.0			711	10.00
Employ	er's name, address, and ZI	P code		3 Social securi			4 Social security	tax withheld 04.10
	CABOT COVE SCHOO 123 EDUCATION WAY			5 Medicare wa 35550.0	ages and tips		6 Medicare tax v	
	BALTIMORE, MD 212			7 Social secur 4035.0	0		8 Allocated tips	
	vee's social security number 234-56-7890			9 Advance EI			10 Dependent ca	
e Employ	ee's name (first, middle in DIEGO GARCIA-y-VEO	GA		11 Nonqualific	ed plans		12 Benefits inclu	uded in Box I
	432 SMITH AVE. BALTIMORE, MD 212			13 See instrs f	or Box 13		14 Other	
f Employ	yee's address and ZIP code			15 Statutory employee	Deceased Pension plan	n Leg		btotal Deferred compensation
	Employer's state ID No		18 Stat	e income tax	19 Locality name	20 Loca	al wages tips etc	21 Local income tax
								.
a Control	discussion of these	for Diego Garcia-y-Verrors below the W-2	e Only	incorrect. Pl	lease review thes	e comm	on errors and	the
h Emmlor	22222 ver's identification number	OMB No. 1545	-0008					
Employ				1 Wages tips	other compensation		2 Faderal incom	a tay withhald
	55-5678910			355	other compensation 550.00			10.00
Employ	55-5678910 ver's name, address, and ZI			355 3 Social secur	550.00		711 4 Social security	10.00
Employ	cer's name, address, and ZI CABOT COVE SCHOO 123 EDUCATION WAY	P code LS		355 3 Social secur 315 5 Medicare wa 355	550.00 ity wages 515.00 ages and tips 550.00		711 4 Social security 271 6 Medicare tax v	10.00 tax withheld 19.58 withheld
Employ	er's name, address, and ZI  CABOT COVE SCHOO	P code LS		355 3 Social secur 315 5 Medicare wa 355 7 Social secur	550.00 ity wages 515.00 ages and tips 550.00		4 Social security 271	10.00 tax withheld 19.58 withheld
d Employ	CABOT COVE SCHOO 123 EDUCATION WAY BALTIMORE, MD 212 ree's social security number 234-56-7890	P code LS 7 01		355 3 Social secur 315 5 Medicare wa 355 7 Social secur 40 9 Advance EIG	ity wages i15.00 ages and tips i50.00 ity tips i50.00 condition of the con		711 4 Social security 271 6 Medicare tax v  8 Allocated tips 10 Dependent ca	10.00 7 tax withheld 19.58 withheld are benefits
d Employ	cer's name, address, and ZI CABOT COVE SCHOO 123 EDUCATION WAY BALTIMORE, MD 212 ree's social security numbe 234-56-7890 ree's name (first, middle in DIEGO GARCIA-y-VEG	P code LS 7 01 er itial, last) GA		355 3 Social secur 315 5 Medicare we 355 7 Social secur 40 9 Advance EI 11 Nonqualifie	ity wages i15.00 ages and tips i50.00 ity tips i35.00 C payment ed plans		4 Social security 271 6 Medicare tax v 8 Allocated tips 10 Dependent ca 12 Benefits inclu	10.00 7 tax withheld 19.58 withheld are benefits
d Employ	cer's name, address, and ZI CABOT COVE SCHOO 123 EDUCATION WAY BALTIMORE, MD 212 ree's social security numbe 234-56-7890 ree's name (first, middle in DIEGO GARCIA-y-VEG	P code LS 7 01 or itial, last) GA		355 3 Social secur 315 5 Medicare wi 355 7 Social secur 40 9 Advance Eld 11 Nonqualifie	ity wages it5.00 ages and tips i50.00 ity tips i35.00 C payment ed plans		4 Social security 271 6 Medicare tax v 8 Allocated tips 10 Dependent ca 12 Benefits inclu 14 Other	10.00 7 tax withheld 19.58 withheld are benefits uded in Box 1
d Employ	CABOT COVE SCHOO 123 EDUCATION WAY BALTIMORE, MD 212 Yee's social security numbe 234-56-7890 Yee's name (first, middle in: DIEGO GARCIA-y-VEC	P code LS 7 01 er itial, last) GA		355 3 Social secur 315 5 Medicare we 355 7 Social secur 40 9 Advance EI 11 Nonqualifie	ity wages i15.00 ages and tips i50.00 ity tips i35.00 C payment ed plans	n Leg	4 Social security 271 6 Medicare tax v 8 Allocated tips 10 Dependent ca 12 Benefits inclu 14 Other	10.00 7 tax withheld 19.58 withheld are benefits
d Employ e Employ	cer's name, address, and ZI CABOT COVE SCHOO 123 EDUCATION WAY BALTIMORE, MD 212 ree's social security numbe 234-56-7890 ree's name (first, middle in: DIEGO GARCIA-y-VEC 432 SMITH AVE. BALTIMORE, MD 212 ree's address and ZIP code	P code  LS 7 01 er itial, last) GA		3 Social secur 315 5 Medicare ws 7 Social secur 40 9 Advance Eld 11 Nonqualific 13 See instrs f	ity wages 115.00 ages and tips 150.00 ity tips 35.00 E payment ed plans or Box 13  Deceased Pensio	rep	4 Social security 271 6 Medicare tax v 8 Allocated tips 10 Dependent ca 12 Benefits inclu 14 Other  al Hshld. Sutemp.	10.00 7 tax withheld 19.58 withheld are benefits uded in Box 1
d Employ e Employ	cer's name, address, and ZI CABOT COVE SCHOO 123 EDUCATION WAY BALTIMORE, MD 212 ree's social security numbe 234-56-7890 ree's name (first, middle in: DIEGO GARCIA-y-VEG 432 SMITH AVE. BALTIMORE, MD 212 ree's address and ZIP code	P code  LS 7 01 er itial, last) GA	18 Stat	355 3 Social secur 315 5 Medicare wa 355 7 Social secur 40 9 Advance Eld 11 Nonqualifie 13 See instrs f	ity wages it 50.00 ity wages it 5.00 ity wages ity wag	rep 20 Loca	4 Social security 271 6 Medicare tax v 8 Allocated tips 10 Dependent ca 12 Benefits inclu 14 Other al Hshld. Subsemp.	are benefits uded in Box 1  btotal Deferred compensation

The W-2 above is incorrect because the preparer neglected to calculate the Medicare tax liability and failed to apply the correct tax rate to Social Security wages and tips (by applying the combined Social Security/Medicare tax rate of 7.65 percent to the total Social Security wages instead of the correct Social Security rate of 6.2 percent). The taxes should have been calculated as follows:

**Social Security tax Withheld :**  $(\$31,515.00[box3] + \$4035.00[box 7]) \times 6.2\% = 2204.10$  **Medicare tax withheld :**  $(\$35,550.00[box 5]) \times 1.45\% = 515.48$ 

C. Alfredo Giuseppe Richardo Marano is an employee subject to Medicare taxes only.

a Control number 222222		For Official Use OMB No. 1545								
b Employer's identification nu 55-5678910	mber			1 Wages, tips,	other compe	nsation		2 Federal incom	e tax withheld 800.00	
c Employer's name, address, a	nd ZIP code			3 Social secur	ty wages			4 Social security	tax withheld	
CABOT COVE SC 123 EDUCATION				5 Medicare wa	iges and tips			6 Medicare tax 7	withheld 3.00	
BALTIMORE, ME	21201			7 Social secur	ty tips			8 Allocated tips		
d Employee's social security n 345-67-8901	umber			9 Advance EI	C payment			10 Dependent ca	are benefits	
e Employee's name (first, mide ALFREDO G MAI				11 Nonqualifi	•			12 Benefits incl	uded in Box 1	
123 MAPLE ST. BALTIMORE, ME	21201			13 See instrs f				14 Other		
f Employee's address and ZIP	code			15 Statutory employee	Deceased	Pensi plai	U	emp.	btotal Deferred compensation	
16 State Employer's state II	No 17 State	wages tips etc	18 Stat	e income tax	19 Locality	name	20 Loca	l wages tips etc	21 Local income tax	
Wage and Tax W-2 Statement Copy A For Social Security Administration  The following W-2 for Alfredo Giuseppe Richardo Marano is incorrect. Please review these common errors and the discussion of these errors below the W-2.										
a Control number 222222		For Official Use OMB No. 1545	•							
b Employer's identification nu 55-5678910	mber			1 Wages, tips, 54000.0		nsation	2 Fe	deral income tax	withheld 800.00	
c Employer's name, address, a	nd ZIP code			3 Social securi 54000.0	ty wages		4 So	4 Social security tax withheld		
CABOT COVE SC 123 EDUCATION				5 Medicare wa 54000.0	iges and tips		6 M	3348.00 6 Medicare tax withheld 783.00		
BALTIMORE, ME				7 Social securi			8 Al	located tips	5.00	
d Employee's social security n 345-67-8901	umber			9 Advance EI	C payment		10 E	ependent care b	enefits	
e Employee's name (first, mide ALFREDO R MAF				11 Nonqualifi	ed plans		12 B	enefits included	l in Box 1	
				13 See instrs f	or Box 13		14 C	ther		
123 MAPLE ST. BALTIMORE, ME	15 Statutory	Deceased	Pension	Lega	ıl Hshld. Su	btotal Deferred				
f Employee's address and ZIP	employee		plan	rep	emp.	compensation				
16 State   Employer's state II	No 17 State	wages tips etc	18 Stat	e income tax	19 Locality	name	20 Loca	l wages tips etc	21 Local income tax	
			• + • • • • • • • • • • • • • • • • • •		·····		t			

In this example, the preparer erroneously reported Social Security wages and taxes instead of only reporting Medicare wages and taxes. The preparer also used the wrong middle initial in box e.

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W-2 Statement

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see separate instructions.

### D. Tae-Jin Kim is an employee subject to full-FICA.

a Control number Void For Official Use On OMB No. 1545-000	•								
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld							
55-5678910	136000.00	27200.00							
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld							
GAROT GOVERGUION G	65400.00	4054.80							
CABOT COVE SCHOOLS	5 Medicare wages and tips	6 Medicare tax withheld							
123 EDUCATION WAY	136000.00	1972.00							
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips							
d Employee's social security number 567-89-0123	9 Advance EIC payment	10 Dependent care benefits							
e Employee's name (first, middle initial, last) TAE-JIN KIM	11 Nonqualified plans	12 Benefits included in Box 1							
567 EASTERN AVE. BALTIMORE, MD 21201	13 See instrs for Box 13	14 Other							
f Employee's address and ZIP code	15 Statutory Deceased Pension Legal employee plan rep	Hshld. Subtotal Deferred emp. compensation							
16 State Employer's state ID No 17 State wages tips etc 18	3 State income tax 19 Locality name 20 L	al wages tips etc 21 Local income tax							
Cat. No. 10134D Department of the Treasury-Internal Revenue Service Wage and Tax For Paperwork Reduction Act Notice, W-2 Statement 1997 Copy A For Social Security Administration									
The following W-2 for Tae-Jin Kim is incorrect. Please review these common errors and the discussion of these errors below the W-2.									
a Control number Void For Official Use Or OMB No. 1545-000	·								

a Control number Void For Official Us 22222 OMB No. 1545	·			
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld		
55-5678910	136000.00	27200.00		
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld		
	65400.00	4054.80		
CABOT COVE SCHOOLS	5 Medicare wages and tips	6 Medicare tax withheld		
123 EDUCATION WAY	65400.00	948.30		
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips		
d Employee's social security number 567-89-0123	9 Advance EIC payment	10 Dependent care benefits		
e Employee's name (first, middle initial, last) KIM TAE-JIN	11 Nonqualified plans	12 Benefits included in Box 1		
567 EASTERN AVE. BALTIMORE, MD 21201	. 13 See instrs for Box 13	14 Other		
	15 Statutory Deceased Pension Legal	Hshld. Subtotal Deferred		
f Employee's address and ZIP code	employee plan rep	emp. compensation		
16 State Employer's state ID No 17 State wages tips etc	18 State income tax 19 Locality name 20	al wages tips etc 21 Local income tax		
	Cat. No. 10134D Department of the	e Treasury-Internal Revenue Service		

Wage and Tax
W-2 Statement 1997
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Department of the Treasury-Internal Revenue Service For Paperwork Reduction Act Notice,

see separate instructions.

The W-2 above is incorrect because the preparer failed to recognize that the Medicare wage base differs from the Social Security wage base. The preparer inserted the Social Security wage base figure in the Medicare wages and tips box and calculated the Medicare tax amount based on the Social Security wage base figure. The preparer also erred by transposing the employee's first and last name in box e.

		ry V. Sm					Federal taxes or	nly.					
a Control	number	22222	Voi		For Official Use OMB No. 1545		•						
b Employe	er's identi 55-5678	fication nur	mber				1 Wages, tips, othe 56000.00	r compen	sation		2 Federal income tax withheld 11200.00		
c Employe	er's name	, address, ar	nd ZIP co	ode			3 Social security w	ages			4 Social security	tax withheld	
		COVE SCI					5 Medicare wages	and tips			6 Medicare tax v	vithheld	
	BALTIN	MORE, MD	21201				7 Social security ti	ps			8 Allocated tips		
d Employe	ee's socia 701-23-	l security no 4567	umber				9 Advance EIC pay	ment			10 Dependent ca	re benefits	
e Employee's name (first, middle initial, last) MARY V SMITH						11 Nonqualified pl	ans			12 Benefits included in Box 1			
1205 TOWER ST. BALTIMORE, MD 21201					•	13 See instrs for B		D .		14 Other			
f Employee's address and ZIP code						15 Statutory Deceased Pension Legal employee plan rep				Hshld. Subtota emp.	Deferred compensation		
16 State	Employ 	er's state ID	No 17	7 State	wages tips etc	18	State income tax	19 Loca	ality name	20 Loc	al wages tips etc	21 Local income tax	
Сору А Б		Wage and Statement Security A		tration	1997		Cat. No. 10134D				ne Treasury-Interr Fork Reduction A see separate ins		
	The fo	llowing V sion of the	V-2 for	Mary ors be	y V. Smith is clow the W-2	inco	orrect. Please re	view th	nese comn	non erro	ors and the		
a Control	number	22222	Voi		For Official Use OMB No. 1545		•						
b Employe	er's identi 55-5678	fication nui	mber	l.			1 Wages, tips, other compensation 56000.00				2 Federal income tax withheld 11200.00		
c Employe	er's name	, address, ar	nd ZIP co	ode	c Employer's name, address, and ZIP code						4 Social security tax withheld		

a Control number	22222	Vo	oid	For Official Use OMB No. 1545-		•						
				OMB No. 1545-	.000	-				1		
b Employer's ident		mber				1 Wages, tips, othe	r compen	isation		2 Federal income tax withheld		
55-5678910					56000.00					00.00		
c Employer's name, address, and ZIP code					3 Social security w	ages			4 Social security			
CAROT COME COMO C					56000.00	1.1				72.00		
CABOT COVE SCHOOLS					5 Medicare wages	and tips			6 Medicare tax w			
-	UCATION					56000.00					2.00	
BALTIMORE, MD 21201					7 Social security tip	os			8 Allocated tips			
d Employee's social security number					9 Advance EIC pay	ment			10 Dependent ca	re benefits		
701-23-	4567											
e Employee's name	(first, mide	lle initia	ıl, last)			11 Nonqualified pl	ans			12 Benefits inclu	ided in Box 1	
MARY	V SMITH											
						13 See instrs for Bo	x 13			14 Other		
1205 TO	OWER ST.											
BALTI	MORE, ME	21201										
						15 Statutory Dec	eased	Pension	Legal	Hshld. Subtota	l Deferred	
						employee		plan	rep	emp.	compensation	
f Employee's address and ZIP code												
16 State Employ	er's state II	No 1	7 State	e wages tips etc	18	State income tax	19 Loca	lity name	20 Loca	al wages tips etc	21 Local income tax	
					<b></b>							
		'				C-4 N- 10124D		ъ.		T. I.	-1 D C	

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service

For Paperwork Reduction Act Notice, see separate instructions.

Wage and Tax
W-2 Statement
Copy A For Social Security Administration

1997

In this example the preparer erroneously reported Social Security and Medicare Wages and taxes instead of only Wages, tips and other compensation and Federal income tax withheld. Mary V. Smith is a FICA-Exempt employee.

### REPORTING GROUP-TERM LIFE INSURANCE OVER \$50,000.

A. Thomas J. Mason is an employee subject to full-FICA. Mason's TY 1997 wages were \$50,000. Mason's insurance coverage is \$150,000. He is 41 years old. He pays \$54 per year for his coverage. The calculated benefit amount to include as taxable income to report for TY 1997 related to GTLI over \$50,000 is \$150.

a Control nu	22222	vo	id For Official OMB No. 15								
5	's identification n 55-5678910		1			os, other comp	pensation		2 Federal income tax withheld 10000.00		
c Employer'	's name, address,	and ZIP c	code		3 Social sec 501	urity wages 150.00			4 Social security tax withheld 3109.30		
1	CABOT COVE S 123 EDUCATION	N WAY			501	wages and tip   50.00	os		6 Medicare tax withh 727.18		
F	BALTIMORE, M	7 Social sec	urity tips		8 Allocated tips						
d Employee's social security number 666-78-9012					9 Advance EIC payment				10 Dependent care benefits		
e Employee's name (first, middle initial, last) THOMAS J MASON					11 Nonqual			12 Benefits included	in Box 1		
911 BANK ST. BALTIMORE, MD 21224						13 See instrs for Box 13 C 150.00			14 Other		
f Employee's address and ZIP code					-				Deferred compensation		
16 State	Employer's state	ID No 1	7 State wages tips e	tc 18 State	income tax	19 Locality	name	20 Loca	al wages tips etc 21 I	Local income tax	
	Wage an	d Tax		Cat.	t. No. 10134D Department of the Treasury-Internal Revenu  For Paperwork Reduction Ac						
7	W-2 Statemen	nt		97					see separate instruct	tions.	

Copy A For Social Security Administration

The following W-2 for Thomas J. Mason is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number Void For Official Use Only OMB No. 1545-0008				
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld		
55-5678910	50000.00	10000.00		
c Employer's name, address, and ZIP code	3 Social security wages 50000.00	4 Social security tax withheld 3100.00		
CABOT COVE SCHOOLS	5 Medicare wages and tips	6 Medicare tax withheld		
123 EDUCATION WAY	50000.00	725.00		
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips		
d Employee's social security number	9 Advance EIC payment	10 Dependent care benefits		
666-78-9012		_		
e Employee's name (first, middle initial, last) THOMAS J MASON	11 Nonqualified plans	12 Benefits included in Box 1		
	13 See instrs for Box 13	14 Other		
911 BANK ST.				
BALTIMORE, MD 21224				
	15 Statutory Deceased Pension Legal	Hshld. Subtotal Deferred		
f Employee's address and ZIP code	employee plan rep	emp. compensation		
16 State Employer's state ID No 17 State wages tips etc 18 State	e income tax 19 Locality name 20 Local w	rages tips etc 21 Local income tax		
	N 10124D D + + 6.1 T	I t ID G		

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Department of the Treasury-Internal Revenue Service

Wage and Tax W-2 Statement Copy A For Social Security Administration

1997

For Paperwork Reduction Act Notice, see separate instructions.

The W-2 above is incorrect because the preparer failed to include the benefit amount of GTLI over \$50,000 in the FICA wages and in the wages, tips, other compensation. The preparer also failed to withhold the FICA taxes for the cost of GTLI over \$50,000. GTLI is subject to FICA tax withholding only. It is subject to federal income tax, but it is not subject to federal income tax withholding. The preparer also failed to disclose the GTLI in Box 13 ("code C" is used for GTLI) of the Form W-2.

B. Samuel L. Johnson is a 58 year old retired employee. However he elected to continue his GTLI coverage through Cabot Cove. His insurance coverage is \$125,000. The calculated benefit amount as taxable income related to GTLI over \$50,000 is \$675.

a Control number Void For Official U OMB No. 154								
b Employer's identification number 55-5678910		1 Wages, tip 675	s, other compo	ensation		2 Federal income tax withheld		
c Employer's name, address, and ZIP code		3 Social secu 675				4 Social secu	rity tax withheld	
CABOT COVE SCHOOLS 123 EDUCATION WAY		5 Medicare v 675	vages and tips 00			6 Medicare t	ax withheld	
BALTIMORE, MD 21201		7 Social secu	rity tips			8 Allocated t	ips	
d Employee's social security number 543-21-0987		9 Advance E	IC payment			10 Dependent care benefits		
e Employee's name (first, middle initial, last) SAMUEL L JOHNSON		11 Nonquali	•		12 Benefits i	ncluded in Box 1		
1122 CHERRY LANE RD. SEVERN, MD 21144			75.00 11.85			14 Other		
f Employee's address and ZIP code		15 Statutory employee	Deceased	Pensio plan	n Legal rep	Hshld. Sub emp.	total Deferred compensation	
16 State Employer's state ID No 17 State wages tips etc	18 State in	ncome tax	19 Locality 1	name 2	20 Local w	ages tips etc	21 Local income tax	
Waga and Tay	o. 10134D	34D Department of the Treasury-Internal Revenue Service						

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W-2 Statement 1997
Copy A For Social Security Administration

The following W-2 for Samuel L. Johnson is incorrect. Please review these common errors and the discussion of these errors below the W-2.

a Control number Void For Official Use Only OMB No. 1545-0008				
b Employer's identification number 55-5678910	1 Wages, tips, other compensation 675.00	2 Federal income tax withheld 135.00		
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld		
CABOT COVE SCHOOLS 123 EDUCATION WAY	5 Medicare wages and tips	6 Medicare tax withheld		
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips		
d Employee's social security number 543-21-0987	9 Advance EIC payment	10 Dependent care benefits		
e Employee's name (first, middle initial, last) SAMUEL L JOHNSON	11 Nonqualified plans	12 Benefits included in Box 1		
1122 CHERRY LANE RD. SEVERN, MD 21144	13 See instrs for Box 13	14 Other		
f Employee's address and ZIP code	15 Statutory Deceased Pension Legal employee plan rep	Hshld. Subtotal Deferred emp. compensation		
16 State Employer's state ID No 17 State wages tips etc 18 State	e income tax 19 Locality name 20 Local w	rages tips etc 21 Local income tax		

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1997

Department of the Treasury-Internal Revenue Service

Wage and Tax
W-2 Statement
Copy A For Social Security Administration

For Paperwork Reduction Act Notice, see separate instructions.

In this example, the preparer failed to (1) report the GTLI as Social Security and Medicare wages and (2) disclose the GTLI (using "code C") and uncollected Social Security and Medicare taxes (using "codes M and N" respectively) in Box 13. In addition, the preparer erroneously reported Federal income tax withheld (reported in Box 2).

### NONQUALIFIED DEFERRED COMPENSATION

Cabot Cove contributes 2 percent of Nicole Craig's salary to a nonqualified deferred compensation plan (NQDCP). Nicole is not entitled to the total deferred amount under the NQDCP until retirement.

- Nicole retired June 30, 1997 and earned \$30,000 in salary up to that point.
- Cabot Cove contributed \$600 to Nicole's NQDCP in 1997; Cabot Cove's aggregate contributions to Nicole's NQDCP were \$50,600.
- Upon retirement, Nicole elects to withdraw \$1,500/month from the NQDCP and withdraws a total of \$9,000 from the plan in TY 97.

a Control number	22222	Void	For Official Use OMB No. 1545-									
b Employer's iden 55-567		mber				s, other compe	ensation		2 Federal income tax withheld 7800.00			
c Employer's nam	e, address, a	nd ZIP cod	e		3 Social sect	urity wages 00.00			4 Social security tax withheld 4054.80			
	T COVE SO UCATION					wages and tips 00.00			6 Medicare	6 Medicare tax withheld 1168.70		
BALTIMORE, MD 21201					7 Social secu	arity tips			8 Allocated tips			
d Employee's social security number 719-54-3210					9 Advance E		10 Dependent care benefits					
e Employee's nam	e (first, mid	dle initial, la	ast)		11 Nonquali		12 Benefits	include	d in Box 1			
NICOI	E CRAIG											
657 JO BALTI	E RD. MORE, MI	 D 21202			13 See instrs for Box 13 14 Other							
f Employee's address and ZIP code					15 Statutory employee		Pensi- plan	U	Hshld. Sub		Deferred compensation	
16 State Emplo	yer's state I	D No 17 S	State wages tips etc	18 State i	ncome tax	19 Locality n	ame	20 Local w	ages tips etc	21 Loc	cal income tax	

Cat. No. 10134D

1997

Department of the Treasury-Internal Revenue Service
For Paperwork Reduction Act Notice,
see separate instructions.

W-2 Statement Copy A For Social Security Administration

Wage and Tax

The following W-2 for Nicole Craig is incorrect. Please review these errors and the discussion of these errors below the W-2.

a Control number	r 22222	Void	For Official Use OMB No. 1545	•							
b Employer's ide		er				s, other compe	ensation		2 Federal income tax withheld		
	78910					00.00			6000.00		
c Employer's name, address, and ZIP code					3 Social sec	urity wages 000.00			4 Social security tax withheld 1860.00		
CABOT COVE SCHOOLS						wages and tips			6 Medicare t		
123 E	DUCATION WA	Y			300	00.00				435.00	
BALTIMORE, MD 21201					7 Social sec	urity tips			8 Allocated tips		
d Employee's social security number 719-54-3210					9 Advance EIC payment				10 Depender	nt care benefits	
e Employee's name (first, middle initial, last) NICOLE CRAIG					11 Nonquali	ified plans		12 Benefits	included in Box 1		
	DE RD. TIMORE, MD 21	202			13 See instra	s for Box 13		14 Other			
f Employee's address and ZIP code					15 Statutory employee		Pensi plan		Hshld. Sub	total Deferred compensation	
16 State Empl	oyer's state ID N	17 Sta	te wages tips etc	18 State i	income tax	19 Locality n	iame	20 Local w	ages tips etc	21 Local income tax	
	Wage and Ta	x		Cat. I	No. 10134D	]			reasury-Intern	al Revenue Service	

W-2 Statement
Copy A For Social Security Administration

1997

For Paperwork Reduction Act Notice, see separate instructions.

The W-2 above is incorrect because the preparer failed to (1) include the \$50,600 deferred under the NQDCP in Box 3 and Box 5, (2) withhold Social Security and Medicare taxes on the \$50,600 deferral, and (3) enter in Box 11 one money amount (\$59,600) representing both the \$9,000 distribution from and \$50,600 in contributions to the NQDCP. Any amount deferred under a NQDCP should be included as Social Security and Medicare wages as of the later of when the services are performed or when there is no substantial forfeiture risk of the rights to the deferred amount. The preparer also failed to (1) include the disbursed amount (\$9,000) from the NQDCP in Box 1 (Wages, tips and other compensation) and (2) withhold Federal income tax on the \$9,000 disbursement.

### THIRD-PARTY SICK PAY REPORTING

A. Jose Schaeffer is an employee subject to full-FICA. He was actively employed as a bus driver until May 30, 1997 when he was injured in an automobile accident. From June 1 until the end of the tax year, Mr. Schaeffer received sick pay from the ACME Insurance Company (EIN 98-7654321). ACME did not pay the employer's portion of FICA nor assume responsibility for reporting sick pay wages on behalf of the employer. Therefore, Cabot Cove is responsible for issuing the Form W-2 to Mr. Schaeffer. Cabot Cove received the following annual benefit notification from ACME on January 9, 1998:

ACME Insurance Company Statement of Benefit Payments for Jose Schaeffer (456-78-9012) Tax Year 1997

Portion of benefit plan funded by employer	60 percent
Benefit payments received (first six months)	\$16,000.00
Remaining payments received for tax year 1996	\$ 2,666.67

a Control number Void For Official Use Only OMB No. 1545-0008				
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld		
55-5678910	27383.00	5476.60		
c Employer's name, address, and ZIP code	3 Social security wages 25783.00	4 Social security tax withheld 1598.55		
CABOT COVE SCHOOLS	5 Medicare wages and tips	6 Medicare tax withheld		
123 EDUCATION WAY	25783.00	373.85		
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips		
d Employee's social security number 456-78-9012	9 Advance EIC payment	10 Dependent care benefits		
e Employee's name (first, middle initial, last)  JOSE SCHAEFFER	11 Nonqualified plans	12 Benefits included in Box 1		
901 AIRY WAY	13 See instrs for Box 13	14 Other		
BALTIMORE, MD 21201	J 7466.67	SK PAY-Acme Ins. Co.		
	15 Statutory Deceased Pension Leg	gal Hshld. Subtotal Deferred		
f Employee's address and ZIP code	employee plan rep emp. com			
16 State Employer's state ID No 17 State wages tips etc 18 State	income tax 19 Locality name 20 Local	al wages tips etc 21 Local income tax		
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Cat. No. 10134D

Department of the Treasury-Internal Revenue Service For Paperwork Reduction Act Notice,

see separate instructions.

W-2 Statement 1997 Copy A For Social Security Administration

Wage and Tax

The following W-2 for Jose Schaeffer is incorrect. Please review these common errors and the discussion of these errors below the W-2.

CABOT COVE SCHOOLS CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201  d Employee's social security number 456-78-9012  2160.68 5 Medicare wages and tips 34849.67 505.32 7 Social security tips 8 Allocated tips 10 Dependent care benefit			
c Employer's name, address, and ZIP code  2 Social security wages 2 4 Social security tax withh 34849.67 2160.68 CABOT COVE SCHOOLS 123 EDUCATION WAY 2 Social security tips 34849.67 34849.67 505.32 BALTIMORE, MD 21201 7 Social security tips 8 Allocated tips  d Employee's social security number 456-78-9012 e Employee's name (first, middle initial, last) JOSE SCHAEFFER 13 See instrs for Box 13 14 Other	eld		
CABOT COVE SCHOOLS 123 EDUCATION WAY BALTIMORE, MD 21201  d Employee's social security number 456-78-9012 e Employee's name (first, middle initial, last) JOSE SCHAEFFER  13 See instrs for Box 13  2160.68 5 Medicare wages and tips 34849.67 505.32 7 Social security tips 8 Allocated tips 10 Dependent care benefit 11 Nonqualified plans 12 Benefits included in Both Schaeffer Box 13 14 Other	eld		
123 EDUCATION WAY BALTIMORE, MD 21201 7 Social security tips 8 Allocated tips  d Employee's social security number 456-78-9012 e Employee's name (first, middle initial, last) JOSE SCHAEFFER 13 See instrs for Box 13 14 Other			
BALTIMORE, MD 21201  7 Social security tips  8 Allocated tips  d Employee's social security number  456-78-9012  e Employee's name (first, middle initial, last)  JOSE SCHAEFFER  13 See instrs for Box 13  14 Other			
d Employee's social security number  456-78-9012  e Employee's name (first, middle initial, last)  JOSE SCHAEFFER  13 See instrs for Box 13  10 Dependent care benefit 11 Nonqualified plans 12 Benefits included in Box 13 See instrs for Box 13			
456-78-9012  e Employee's name (first, middle initial, last)  JOSE SCHAEFFER  13 See instrs for Box 13  14 Other	8 Allocated tips		
e Employee's name (first, middle initial, last)  JOSE SCHAEFFER  13 See instrs for Box 13  12 Benefits included in Box 14 Other	s		
JOSE SCHAEFFER  13 See instrs for Box 13  14 Other			
	x 1		
BALTIMORE, MD 21201			
15 Statutory Deceased Pension Legal Hshld. Subtotal Deferm	ed		
	nsation		
16 State Employer's state ID No 17 State wages tips etc 18 State income tax 19 Locality name 20 Local wages tips etc 21 Local income tax	me tax		
Cat. No. 10134D Department of the Treasury-Internal Revenue Se			

Wage and Tax
W-2 Statement 1997
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Department of the Treasury-Internal Revenue Service
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see separate instructions.

The W-2 above is incorrect because the employer failed to recognize that (1) only sick payments received in the first six months are FICA taxable and (2) only the sick payments that relate to the percentage of the premium cost borne by Cabot Cove Schools are FICA taxable. This, in turn, resulted in a failure to disclose in Box 13, the non-taxable portion of the sick payments (representing the 40 percent employee contribution to the sick pay plan). The correct Social Security and Medicare tax calculations (and the respective amounts for each wage type) are shown below.

#### Social Security/Medicare wages

(Wages paid [\$16,183] + (60% of Sick Payments received in first 6 months [.6 x \$16,000]) = \$25,783

Social Security Tax Withheld

(Social Security Wages [box 3, \$25,783]) x 6.2% = \$1,598.55

### **Medicare Tax Withheld**

(Medicare Wages [box 5, \$25,783]) x 1.45% = \$373.85

### Wages, Tips and Other Compensation

(Wages paid[\$16,183]) + (60% of Sick Payments received [.6 x \$18,666.67]) = \$27,383

### Box 13 (Code J)

40% x Sick Payments received (\$18,666.67) = \$7,466.67

Box 15 of the W-3 prepared by Cabot Cove for Jose Schaeffer should reflect the total amount of income tax withheld by ACME, even though the amount is included in Box 2, "Federal income tax withheld." An example of the correct W-3 is shown below.

a Control number	For Official Use OMB No. 1545-	•						
b			1 Wages, tips, other compensation	2 Federal income tax withheld				
941	Military	943						
Kind X			27383.00	5476.60				
of Payer CT-1	Hshld.	Medicare	3 Social security wages	4 Social security tax withheld				
rayer C1-1	HSIIId.	govt. emp.	25783.00	1598.55				
c Total number of statements	d Establishmen	t number	5 Medicare wages and tips 25783.00	6 Medicare tax withheld 373.85				
e Employer's indentification number 55-5678910			7 Social security tips	8 Allocated tips				
f Employer's name  CABOT C	OVE SCHOOL		9 Advance EIC payments	10 Dependent care benefits				
			11 Nonqualified plans	12 Deferred Compensation				
	CATION WAY ORE, MD 21201		13					
BALTIMO	JKE, MID 21201		13					
g Employer's address and ZIP code			14					
h Other EIN used this year			15 Income tax withheld by third-party payer 2240.00					
i Employer's state I.D. No.								
Under penalities of perjury, I declare that I hat they are true, correct, and complete.	ve examined this re	eturn and accompar	nying documents, and to the best of my k	knowledge and belief,				
Signature	Titl	e		Date				
Telephone number ( )	V	24040		Department of the Treasury				

Because Acme is required to report payments for disability or sickness made to employees on IRS Form 941 (Employer's Quarterly Federal Tax Return), to ensure that both IRS and SSA records are in balance Acme must send SSA a "dummy" W-2 showing the amount of sick pay given to Mr. Schaeffer. Should Acme neglect to prepare a "dummy" W-2, their 941's will not agree with their W-2s. Failure to file a "dummy" W-2 is a contributing factor to the SSA/IRS reconciliation process, which creates a tremendous workload for employers and the Federal Government. PLEASE NOTE: "Dummy" W-2s and their accompanying Form W-3 must not be filed on magnetic media - use only paper forms. Acme's "dummy" W-2 should look like the following example:

a Control number	22222		fficial Use Or No. 1545-00	•							
b Employer's ident	ification number	er			1 Wages, tip	s, other comp	ensation		2 Federal income tax withheld		
98-765	4321							2240.00			
c Employer's name	e, address, and Z	ZIP code			3 Social secu			4 Social security tax withheld			
		201601377							595.20		
_	INSURANCE (				5 Medicare v	vages and tip 9600.00	S		6 Medicare		
ROAD				139.20							
COYO	7 Social secu			8 Allocated tips							
d Employee's social security number					9 Advance E		10 Dependent care benefits				
e Employee's name (first, middle initial, last) THIRD PARTY SICK PAY				11 Nonquali			12 Benefits included in box 1				
					13 See instrs		14 Other				
					15 Statutory	Deceased	Pension	Legal	Hshld. Sub	total	Deferred
f Employee's address and ZIP code					employee		plan	rep	emp.	]	compensation
16 State Employ	yer's state ID No	17 State wage	s tips etc	18 State i	ncome tax	19 Locality	name	20 Local w	ages tips etc	21 Lo	ocal income tax
· · · · · · · · · · · · · · · · · · ·		<u></u>		Cat No. 1	0134D		Departm	ent of the T	reasury-Intern	al Re	venue Service

W-2 Wage and Tax
W-2 Statement 1997
Copy A For Social Security Administration

Department of the Treasury-Internal Revenue Service
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see separate instructions.

The separate W-3 filed with the "dummy" W-2 should look like the following example. Note that only boxes b, c, e, f, g, 1, 2, 3, 4, 5, and 6 have entries.

a Control number			Official Use Only IB No. 1545-0008					
b <b>Kind</b> of	941 X	Military	943 Medicare	1 Wages	tips, other compensation 18666.67		me tax withheld 2240.00	
<del></del>	CT-1	Hshld.	govt. emp.	3 Social	security wages 9600.00	4 Social securi	ty tax withheld 595.20	
c Total number of stater		d Establish	ment number		are wages and tips 9600.00		139.20	
	ation number 654321				security tips	8 Allocated tip		
f Employer's name	ACME	INSURANCI	E COMPANY		ce EIC payments ualified plans	10 Dependent  12 Deferred Co		
ROAD RUNNER AVENUE COYOTE, MD 21162				13				
g Employer's address ar	nd ZIP code							
h Other EIN used this y	ear			15 Incom	ne tax withheld by third-part	y payer		
i Employer's state I.D. N	 Vo.							
Under penalities of perjury, l they are true, correct, and cor		have examin	ed this return and accor	mpanying d	ocuments, and to the best of	my knowledge a	nd belief,	
Signature		Titl	e			Date		
Telephone number	( )	O TT/	1m G	100	-			
Form W-3 Tra	nsmittal o	f Wage and	d Tax Statements	1997		Internal Rever	nue Service	

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B. Lois Germaine Sheppard is an employee subject to full-FICA. She was actively employed as a school crossing guard until November 30, 1997 when she slipped on some ice and broke her leg. From December 1 until the end of the tax year she received sick pay from the ACME Insurance Company. Cabot Cove paid 100 percent of the premiums on the policy for Ms. Sheppard. ACME paid Ms. Sheppard \$2,000 in sick pay and assumed responsibility for paying Cabot Cove's share of FICA taxes and reporting the sick pay wages.

### **Correct W-2 Form from Cabot Cove Schools**

a Control number Void For Official Use Only OMB No. 1545-0008			
b Employer's identification number 55-5678910	1 Wages, tips, other compensation 25172.00	2 Federal income tax withheld 5034.40	
c Employer's name, address, and ZIP code	3 Social security wages 25172.00	4 Social security tax withheld 1560.66	
CABOT COVE SCHOOLS 123 EDUCATION WAY	5 Medicare wages and tips 25172.00	6 Medicare tax withheld 364.99	
BALTIMORE, MD 21201	7 Social security tips	8 Allocated tips	
d Employee's social security number 678-90-1234	9 Advance EIC payment	10 Dependent care benefits	
e Employee's name (first, middle initial, last) LOIS G SHEPPARD	11 Nonqualified plans	12 Benefits included in box 1	
945 BOWSER ST. BALTIMORE, MD 21201	13 See instrs for Box 13	14 Other	
f Employee's address and ZIP code	15 Statutory Deceased Pension Legal employee plan rep	Hshld. Subtotal Deferred compensation	
16 State Employer's state ID No 17 State wages tips etc 18 State	tate income tax 19 Locality name 20 Local v	wages tips etc 21 Local income tax	
Cat. N Wage and Tax W-2 Statement 1997	1	the Treasury-Internal Revenue Service or Paperwork Reduction Act Notice,	

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Ms. Sheppard's W-2 from Acme Insurance Company should look like the following:

a Control number Void For Official Use Only  22222 OMB No. 1545-0008				
OMB No. 1343-0008				
b Employer's identification number	1 Wages, tips, other compensation	2 Federal income tax withheld		
98-7654321	2000.00	400.00		
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld		
	2000.00	124.00		
ACME INSURANCE COMPANY	5 Medicare wages and tips	6 Medicare tax withheld		
ROAD RUNNER AVE.	2000.00	29.00		
COYOTE, MD 21162	7 Social security tips	8 Allocated tips		
CO 101E, MB 21102	7 Boolar security tips	o Anocated tips		
d Employee's social security number	9 Advance EIC payment	10 Dependent care benefits		
678-90-1234		•		
e Employee's name (first, middle initial, last)	11 Nonqualified plans	12 Benefits included in box 1		
LOIS G SHEPPARD				
	13 See instrs for Box 13	14 Other		
945 BOWSER ST.		Sick Pay Furnished under an		
		Agency Agreement with Your		
BALTIMORE, MD 21201		Employer		
BIRDINIONE, NID 21201	15 Statutory Deceased Pension Legal	Hshld. Subtotal Deferred		
	employee plan rep	emp. compensation		
f Employee's address and ZIP code	Chiproyee plan 1cp	Cinp. Compensation		
16 State Employer's state ID No 17 State wages tips etc 18 State	e income tax   19 Locality name   20 Local wa	ages tips etc 21 Local income tax		
Cat No	. 10134D Department of th	ne Treasury-Internal Revenue Service		

Wage and Tax

1997

For Paperwork Reduction Act Notice, see separate instructions.

The following W-2 illustrates a common mistake made by third-party insurers. Please review these common errors and the discussion of these errors below the W-2.

a Control 1	number		Void	For Official Use	Only							
	2	22222		OMB No. 1545-0	8000							
b Employe	er's identificat	ion nun	nber			1 Wages, tip	s, other comp	ensation		2 Federal in	come	tax withheld
	55-5678910								400.00			
c Employe	er's name, add	ress, an	d ZIP code	e		3 Social secu		4 Social sec	4 Social security tax withheld			
									124.00			
	ACME INSU	JRANC	E COMPA	ANY		5 Medicare v	s	6 Medicare	tax wi	thheld		
ROAD RUNNER AVE.									29.0	0		
COYOTE, MD 21162						7 Social secu		8 Allocated	tips			
d Employee's social security number 678-90-1234						9 Advance E			10 Dependent care benefits			
e Employee's name (first, middle initial, last) LOIS G SHEPPARD					11 Nonquali		12 Benefits	12 Benefits included in box 1				
						13 See instrs		14 Other	14 Other			
								Sick Pay Furnished under an Agency				
	945 BOWSE	R ST.						Agreement w	ith You	r Employer		
	BALTIMOR	E, MD	21201			15 Statutory	Deceased	Pension	Legal	Hshld. Sul	btotal	Deferred
f Employee's address and ZIP code						employee		plan	rep	emp.		compensation
16 State	Employer's	state ID	No 17 S	State wages tips etc	18 State i	ncome tax	19 Locality	name	20 Local w	ages tips etc	21 L	ocal income tax
					Cat. No. 1	0134D		Der	artment of t	he Treasury-I	nterna	l Revenue Service
	Was	ge and	Tax					r				ction Act Notice,
	`	ement		1997						see separat		

The W-2 above is incorrect because the third-party payer used the employer's EIN instead of their own when reporting. This will cause the Form 941 for both the third-party and the employer to be out of balance with their respective W-2/W-3 submissions.

### REPORTING AN EMPLOYEE TYPE OF EMPLOYMENT CHANGE

John R. McNamara's work became covered for full-FICA effective July 1, 1997--instead of Medicare-only coverage earlier in the year. The following Forms W-2 and W-3 illustrate split reporting for Mr. McNamara by Cabot Cove.

### Form W-2 for MQGE Wages from January 1, 1997 to June 30, 1997

a Control number		Void	For Official Use O	Only							
	22222		OMB No. 1545-0	800							
b Employer's ident	ification num	ber	11		1 Wages, tip	s, other comp	ensation		2 Federal inco	ome ta	x withheld
55-5678	8910				30250.00				6050.00		
c Employer's name	e, address, and	ZIP code			3 Social security wages				4 Social secur	4 Social security tax withheld	
CABO	COVE SCH	OOLS			5 Medicare v	vages and tips	S		6 Medicare tax withheld		
123 ED	123 EDUCATION WAY							438.62			
BALTI	7 Social secu		8 Allocated tips								
d Employee's socia	9 Advance E			10 Dependent	t care	benefits					
e Employee's name (first, middle initial, last)  JOHN R McNAMARA				11 Nonqualified plans				12 Benefits in	12 Benefits included in box 1		
900 CI	ADV DD				13 See instrs		14 Other				
	ARK RD N, MD 2114	4									
					15 Statutory	Deceased	Pension	Legal	Hshld. Subt	otal	Deferred
f Employee's address and ZIP code					employee		plan	rep	emp.		compensation
16 State   Employ	yer's state ID I	No 17 Stat	e wages tips etc	18 State i	ncome tax	19 Locality 1	name 2	0 Local w	rages tips etc	21 Lo	cal income tax
Wage and Tax Cat. No.					10134D Department of the Treasury-Internal Revenue Ser					Revenue Service	

W-2 Statement 1997 Copy A For Social Security Administration Department of the Treasury-Internal Revenue Service

For Paperwork Reduction Act Notice,
see separate instructions.

### Form W-3 for MQGE Wages

a Control number		For Official Us OMB No. 1545								
b		OMID No. 1543	5-0008	1 Wages, tips, other compensation	2 Federal income tax withheld					
	941	Military	943	r						
Kind				30250.00	6050.00					
of			Medicare	3 Social security wages	4 Social security tax withheld					
Payer	CT-1	Hshld.	govt. emp.							
c Total number of state	ments	d Establishme	nt number	5 Medicare wages and tips 30250.00	6 Medicare tax withheld 438.62					
e Employer's indentific	ation number 5678910			7 Social security tips	8 Allocated tips					
f Employer's name				9 Advance EIC payments	10 Dependent care benefits					
		OVE SCHOOLS		11 Non-12C d along	12 Defermed Commencedian					
			•••••	11Nonqualified plans	12 Deferred Compensation					
		ATION WAY RE, MD 21201		13						
	BALTIMO	KE, MD 21201								
				14						
g Employer's address a	nd ZIP code									
h Other EIN used this y	ear			15 Income tax withheld by third-party payer						
i Employer's state I.D.	No.									
		•••••								
Under penalities of perjury, they are true, correct, and co		ve examined this	return and accom	panying documents, and to the best of m	ny knowledge and belief,					
Signature		Ti	tle	Date						
Telephone number	( )				Department of the Treasury					
Form W-3 Tr	ansmittal of W	age and Tax	<b>Statements 1</b>	997	Internal Revenue Service					

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### Wages paid July 1, 1997 to December 31, 1997 subject to full FICA tax.

### Form W-2 for wages subject to full FICA (from July 1, 1997 to December 31, 1997)

a Control number		Void	For Official Use 0	Only						
	22222		OMB No. 1545-0	800						
b Employer's ident	ification nu	nber			1 Wages, tip	s, other compen	sation		2 Federal incom	ne tax withheld
55-5678						30250.00	6050.00			
c Employer's name	, address, ai	nd ZIP code			3 Social secu	rity wages 30250.00		4 Social security tax withheld 1875.50		
CARO	COVE SC	2 IOOH			5 Medicare v	vages and tips	6 Medicare tax			
123 ED	3 Wiedicare V	30250.00	438.62							
BALTIMORE, MD 21201					7 Social secu		8 Allocated tips			
d Employee's social security number 023-45-6789					9 Advance E	IC payment	10 Dependent of	care benefits		
e Employee's name (first, middle initial, last)				11 Nonquali	fied plans	12 Benefits inc	luded in box 1			
JOHN I	R McNAMA	.RA								
					13 See instrs	for Box 13	14 Other			
	ARK RD N, MD 211	44								
					15 Statutory	Deceased	Pensio	n Legal	Hshld. Subtot	al Deferred
f Employee's address and ZIP code				employee		plan	rep	emp.	compensation	
16 State Employ	yer's state ID	No 17 S	tate wages tips etc	18 State	income tax	19 Locality na	me	20 Local w	ages tips etc 21	Local income tax
1										
'		1		Cat. No.	10134D		Dep	artment of t	he Treasury-Inte	rnal Revenue Service

Wage and Tax
W-2 Statement 1997
Copy A For Social Security Administration

For Paperwork Reduction Act Notice, see separate instructions.

### Form W-3 for Wages subject to full FICA

a Control number		For Official Us	e Only							
		OMB No. 1545	-0008							
b				1 Wages, tips, other cor	mpensation	2 Federal income t	ax withheld			
	941	Military	943							
Kind	X			30250.00			6050.00			
of			Medicare	3 Social security wages		4 Social security ta	x withheld			
Payer	CT-1	Hshld.	govt. emp.	30250.00			1875.50			
c Total number of state	c Total number of statements d Establishment number				tips	6 Medicare tax wit	hheld 438.62			
e Employer's indentif	ication number -5678910			7 Social security tips		8 Allocated tips				
f Employer's name	CABO	T COVE SCHOO	oLS	9 Advance EIC paymen	nts	10 Dependent care benefits				
	123 ED	OUCATION WAY	 7	11 Nonqualified plans		12 Deferred Comp	ensation			
	BALTI	MORE, MD 212	01	13						
g Employer's address	and ZIP code			14						
h Other EIN used this	year			15 Income tax withheld by third-party payer						
i Employer's state I.D	. No.									
1 1 3 2	Under penalities of perjury, I declare that I have examined this return and accompanying documents, and to the best of my knowledge and belief, they are true, correct, and complete.									
Signature		Title				Date				
Telephone number		)				Department of the				
Form W-3 T	ransmittal o	f Wage and T	Tax Statement	ts 1997	reasury Service					

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### The following forms W-2 and W-3 illustrate optional combined reporting for John R. McNamara.

### Form W-2

C + 1 1		* 7		0.000	. 0.1							
a Control number		<u>v</u>		For Official U	•							
	22222	L	<u>ا</u> ا (	OMB No. 154	15-0008							
b Employer's ide	entification nu	mber				1 Wages, tips,	other compe	nsation		2 Federal incon	e tax withheld	
55-56	578910					60:	500.00		12	100.00		
c Employer's na	me, address, a	nd ZIP c	ode			3 Social secur	ity wages		4 Social security tax withheld			
						302	250.00		1875.50			
CAB	OT COVE SO	HOOLS				5 Medicare w	ages and tips			6 Medicare tax	withheld	
123 EDUCATION WAY						60:	500.00	8	77.24			
BAL	TIMORE, MI	21201				7 Social secur	ity tips			8 Allocated tips		
d Employee's so	cial security r	umber				9 Advance EI	C payment			10 Dependent c	are benefits	
023-4	15-6789											
e Employee's na	me (first, mid	dle initia	l, last)			11 Nonqualifi	ed plans			12 Benefits included in box 1		
JOH	N R McNAM	ARA										
						13 See instrs f	for Box 13			14 Other		
800 0	CLARK RD											
SEVI	ERN, MD 21	144										
						15 Statutory	Deceased	Pension	Legal	Hshld. Subtota	al Deferred	
f Employee's ac	ldress and ZIF	code				employee		plan	rep	emp.	compensation	
16 State   Emp	loyer's state II	O No 1	7 State	wages tips etc	c 18 Stat	e income tax	19 Locality	name	20 Local w	ages tips etc 21	Local income tax	
	••••••			••••••				•••••	•			
					Cat. No	. 10134D	1	Dep	artment of the	he Treasury-Inter	nal Revenue Service	

Wage and Tax
W-2 Statement 1997
Copy A For Social Security Administration

For Paperwork Reduction Act Notice, see separate instructions.

### Form W-3 for Combined Reporting

a Control number		For Official	Use Only		
		OMB No. 1:	545-0008		
b				1 Wages, tips, other compensation	2 Federal income tax withheld
Kind of	941 X	Military	943	60500.00	12100.00
Davos	CT-1	Hshld.	Medicare	3 Social security wages	4 Social security tax withheld
Payer		Hsilid.	govt. emp.	30250.00	1875.50
c Total number of sta	itements	d Establish	ment number	5 Medicare wages and tips	6 Medicare tax withheld
1				60500.00	877.24
e Employer's indenti	fication number 5-5678910			7 Social security tips	8 Allocated tips
f Employer's name	CABO	T COVE SCHO	OLS	9 Advance EIC payments	10 Dependent care benefits
				11 Nonqualified plans	12 Deferred Compensation
		DUCATION WA	_		
	BALT	IMORE, MD 21	201	13	
g Employer's address	and ZIP code			14	
h Other EIN used thi	s year			15 Income tax withheld by third-part	y payer
i Employer's state I.E	). No.				
Under penalities of perjur they are true, correct, and	•	I have examined	this return and acco	empanying documents, and to the best of	my knowledge and belief,
Signature			Title		Date
Telephone number	_(	)			December of the Torress
Form W-3 T	ransmittal (	of Wage and	Tax Statements	1997	Department of the Treasury Internal Revenue Service

### EXHIBITS: PAYROLL REGISTER DATA TABLES

### Introduction

The following exhibits are data tables of information from Cabot Cove's payroll register. This information provides the base data for the case scenario. The Cabot Cove School District employs individuals who earn:

- o Wages and tips subject to the 6.2 percent Social Security tax and 1.45 percent Medicare tax (Full-FICA employees);
- o Wages subject to only the 1.45 percent Medicare tax (MQGE employees); and
- o Wages exempt from the 6.2 percent Social Security tax and 1.45 percent Medicare tax (FICA-exempt employees).

Cabot Cove's EIN is 55-5678910. The information in Exhibit 1 below contains summary employee information from Cabot Cove's payroll register. In addition, Exhibit 2 (pages 93 through 96) illustrates wage and tax data for Cabot Cove on a quarterly basis and Exhibit 3 (page 97) summarizes Cabot Cove's payroll on an annual basis.

## Exhibit 1 Summary Employee Information Cabot Cove School District

Name (first, middle, last)	Name as shown on Social Security Card and Cabot Cove Payroll Register	SSN	Employment Type
Elizabeth Lee Strosnider	Elizabeth L. Strosnider	699-01-0101	FICA
Diego Garcia-y-Vega	Diego Garcia y Vega	234-56-7890	FICA
Alfredo Giuseppe Richardo Marano	Alfredo G. R. Marano	345-67-8901	MQGE
Tae-Jin Kim	Tae-Jin Kim	567-89-0123	FICA
Jose Schaeffer	Jose Schaeffer	456-78-9012	FICA
Lois Germaine Sheppard	Lois G. Sheppard	678-90-1234	FICA
John R. McNamara <sup>1</sup>	John R. McNamara	023-45-6789	MQGE/FICA
Mary V. Smith	Mary V. Smith	701-23-4567	FICA-Exempt
Thomas J. Mason <sup>2</sup>	Thomas J. Mason	666-78-9012	FICA
Samuel L. Johnson <sup>3</sup>	Samuel L. Johnson	543-21-0987	FICA/Retired
Nicole Craig	Nicole Craig	719-54-3210	FICA/Retired

<sup>1.</sup> From January 1 through June 30, 1997, John R. McNamara earned MQGE wages subject to only Medicare tax. Effective July 1, 1997, Mr. McNamara was subject to full-FICA coverage.

<sup>2.</sup> Thomas J. Mason is 45 years old. He elected to be covered by GTLI. His insurance coverage is \$150,000.

<sup>3.</sup> Samuel Johnson is a retired employee who elected to be covered by GTLI after retirement. His insurance coverage is \$125,000.

EXHIBIT 2-1

FIRST QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

			Un-		Taxable	FICA	Total	Fed. Income	Social Secu	rity	Medicare	
Employee's Name and SSN	Employment Type/Status	Regular Wages	allocated Tips	Misc. Wages	Misc. Wages	Misc. Wages	Taxable Wages	Tax Withheld	Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 234-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G. R. Marano 345-67-8901	MQGE Active	13,500.00					13,500.00	2,700.00			13,500.00	195.75
Tae-Jin Kim 567-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	34,000.00	2,108.00	34,000.00	493.00
Jose Schaeffer 456-78-9012	FICA Active	9,709.80					9,709.80	1,941.96	9,709.80	602.01	9,709.80	140.79
Lois G. Sheppard 678-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 023-45-6789	MQGE Active	15,125.00					15,125.00	3,025.00			15,125.00	219.31
Mary V. Smith 701-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00				
Thomas J. Mason 666-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 543-21-0987	FICA Retired											
Nicole Craig 719-54-3210	FICA Active	15,000.00					15,000.00	3,000.00	15,000.00	930.00	15,000.00	217.50
	MQGE	28,625.00	0.00	0.00	0.00	0.00	28,625.00	5,725.00	0.00	0.00	28,625.00	415.06
Total	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	97,260.88	1,008.75	0.00	0.00	0.00	98,269.63	19,653.93	98,269.63	6,092.72	98,269.63	1,424.91
First Quarter Total		139,885.88	1,008.75	0.00	0.00	0.00	140,894.63	28,178.93	98,269.63	6,092.72	126,894.63	1,839.97

EXHIBIT 2-2

SECOND QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

			Un-		Taxable	FICA	Total	Fed. Income	Social Secu	rity	Medicare	
Employee's Name and SSN	Employment Type/Status	Regular Wages	allocated Tips	Misc. Wages	Misc. Wages	Misc. Wages	Taxable Wages	Tax Withheld	Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider 699-01-0101	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 234-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G. R. Marano 345-67-8901	MQGE Active	13,500.00					13,500.00	2,700.00			13,500.00	195.75
Tae-Jin Kim 567-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	31,400.00	1,946.80	34,000.00	493.00
Jose Schaeffer 456-78-9012	FICA Active-SK	6,473.20		2,666.67 SK PAY	* 1,600.00	1,600.00	8,073.20	1,614.64	8,073.20	500.54	8,073.20	117.06
Lois G. Sheppard 678-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 023-45-6789	MQGE Active	15,125.00					15,125.00	3,025.00			15,125.00	219.31
Mary V. Smith 701-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00				
Thomas J. Mason 666-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 543-21-0987	FICA Retired											
Nicole Craig 719-54-3210	FICA Active	15,000.00				50,600.00	15,000.00	3,000.00	50,400.00	3,124.80	65,600.00	951.20
	MQGE	28,625.00	0.00	0.00	0.00	0.00	28,625.00	5,725.00	0.00	0.00	28,625.00	415.06
Total	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	94,024.28	1,008.75	2,666.67	1,600.00	52,200.00	96,633.03	19,326.61	129,433.03	8,024.85	147,233.03	2,134.88
Second Quarter Total		136,649.28	1,008.75	2,666.67	1,600.00	52,200.00	139,258.03	27,851.61	129,433.03	8,024.85	175,858.03	2,549.94

<sup>\*</sup> Employer's contribution rate to the sick pay plan for Jose Schaeffer is 60 percent. Cabot Cove assumed responsibility for reporting the sick pay wages. Benefit payments Mr. Schaeffer received for the second quarter is \$ 2,666.67.

Taxable portion of the sick payment : 2,666.67 X .6 = 1,600.00

Cabot Cove adjusted on line 9 of their 941 Form \$ 122.40 of employee taxes not withheld on sick pay. (\$ 1600.00 X .0765 = \$ 122.40)

EXHIBIT 2-3

THIRD QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

			Un-		Taxable	FICA	Total	Fed. Income	Social Secu	rity	Medicare	
Employee's Name and SSN	Employment Type/Status	Regular Wages	allocated Tips	Misc. Wages	Misc. Wages	Misc. Wages	Taxable Wages	Tax Withheld	Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider	FICA Active	11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96
Diego Garcia y Vega 234-56-7890	FICA Active	7,878.75	1,008.75				8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87
Alfredo G. R. Marano 345-67-8901	MQGE Active	13,500.00					13,500.00	2,700.00			13,500.00	195.75
Tae-Jin Kim 567-89-0123	FICA Active	34,000.00					34,000.00	6,800.00	0.00	0.00	34,000.00	493.00
Jose Schaeffer 456-78-9012	FICA Active-SK			8,000.00 SK PAY	4,800.00 *	4,800.00 *	4,800.00	960.00	4,800.00	297.60	4,800.00	69.60
Lois G. Sheppard 678-90-1234	FICA Active	6,865.08					6,865.08	1,373.02	6,865.08	425.63	6,865.08	99.54
John R. McNamara 023-45-6789	FICA Active	15,125.00					15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31
Mary V. Smith 701-23-4567	FICA-Exempt Active	14,000.00					14,000.00	2,800.00				
Thomas J. Mason 666-78-9012	FICA Active	12,500.00					12,500.00	2,500.00	12,500.00	775.00	12,500.00	181.25
Samuel L. Johnson 543-21-0987	FICA Retired											
Nicole Craig 719-54-3210	FICA Retired				4,500.00		4,500.00	900.00				
	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75
Total	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00
	FICA	87,676.08	1,008.75	8,000.00	9,300.00	4,800.00	97,984.83	19,596.97	59,484.83	3,688.06	93,484.83	1,355.53
Third Quarter Total		115,176.08	1,008.75	8,000.00	9,300.00	4,800.00	125,484.83	25,096.97	59,484.83	3,688.06	106,984.83	1,551.28

<sup>\*</sup> Employer's contribution rate to the sick pay plan for Jose Schaeffer is 60 percent. Cabot Cove is responsible for reporting the sick pay wages. Benefit payments Mr. Schaeffer received for the Third Quarter is \$8,000.00.

Taxable portion of the sick payment : \$ 8,000.00 X .6 = \$ 4,800.00.

Cabot Cove adjusted on line 9 of their 941 Form \$ 367.20 of employee taxes not withheld on sick pay. (\$ 4800.00 X .0765 = \$ 367.20)

EXHIBIT 2-4
FOURTH QUARTER EMPLOYEE PAYROLL DATA
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

			Un-		Taxable	FICA	Total	Fed. Income	Social Secu	rity	Medicare		
Employee's Name and SSN	Employment Type/Status	Regular Wages	allocated Tips	Misc. Wages	Misc. Wages	Misc. Wages	Taxable Wages	Tax Withheld	Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld	
Elizabeth L. Strosnider		11,307.25					11,307.25	2,261.45	11,307.25	701.05	11,307.25	163.96	
699-01-0101	Active												
Diego Garcia y Vega	FICA	7,878.75	1,008.75	7.00			8,887.50	1,777.50	8,887.50	551.03	8,887.50	128.87	
234-56-7890	Active												
Alfredo G. R. Marano	MQGE	13,500.00					13,500.00	2,700.00	0.00	0.00	13,500.00	195.75	
345-67-8901	Active												
Tae-Jin Kim	FICA	34,000.00					34,000.00	6,800.00	0.00	0.00	34,000.00	493.00	
567-89-0123	Active												
Jose Schaeffer	FICA			8,000.00	4,800.00	· · ·	4,800.00	960.00	3,200.00	198.40	3,200.00	46.40	
456-78-9012	Active-SK			SK PAY-P1	*	**							
Lois G. Sheppard	FICA	4,576.76		2,000.00			4,576.76	915.35	4,576.76	283.76	4,576.76	66.36	
678-90-1234	Active-SK			SK PAY-P2									
John R. McNamara	FICA	15,125.00					15,125.00	3,025.00	15,125.00	937.75	15,125.00	219.31	
023-45-6789	Active												
Mary V. Smith	FICA-Exempt	14,000.00					14,000.00	2,800.00					
701-23-4567	Active												
Thomas J. Mason	FICA	12,500.00		150.00	150.00	150.00	12,650.00	2,500.00	12,650.00	784.30	12,650.00	183.43	
666-78-9012	Active			LIFE INS									
Samuel L. Johnson	FICA			675.00	675.00	675.00	675.00		675.00	0.00	675.00	0.00	
543-21-0987	Retired			LIFE INS									
Nicole Craig	FICA				4,500.00		4,500.00	900.00					
719-54-3210	Retired												
	MQGE	13,500.00	0.00	0.00	0.00	0.00	13,500.00	2,700.00	0.00	0.00	13,500.00	195.75	
Total	FICA-Exempt	14,000.00	0.00	0.00	0.00	0.00	14,000.00	2,800.00	0.00	0.00	0.00	0.00	
	FICA	85,387.76	1,008.75	10,832.00	10,125.00	4,025.00	96,521.51	19,139.30	56,421.51	3,456.28	90,421.51	1,301.32	
Fourth Quarter Total		112,887.76	1,008.75	10,832.00	10,125.00	4,025.00	124,021.51	24,639.30	56,421.51	3,456.28	103,921.51	1,497.07	

SICK PAY-P1: Employer's contribution rate to the sick pay plan for Jose Schaeffer is 60 percent. Cabot Cove is responsible for reporting sick pay wages and the employer's portion of FICA. Benefit payments Mr. Schaeffer received for the Fourth Quarter is \$8,000.00.

Cabot Cove adjusted on line 9 of their 941 Form \$ 244.80 of employee taxes not withheld on sick pay. (\$ 3200.00 X .0765 = \$ 244.80)

SICK PAY-P2: Employer paid 100 percent of the premiums on the policy for Ms. Sheppard. ACME assumed responsibility for paying Cabot Cove's FICA taxes and reporting the sick pay wages. NOTE: Group-term life insurance is subject to FICA tax withholding only.

<sup>\*</sup> Taxable portion of the sick payment : \$8,000.00 X .6 = \$4,800.00.

<sup>\*\*</sup> FICA taxable portion of the sick payment :{ \$ 8,000.00 - (last month sick payment [ \$ 2,666.67])} X .6 = 3,200.00

EXHIBIT 3

PAYROLL REGISTER ANNUAL SUMMARY
CABOT COVE SCHOOL DISTRICT PAYROLL REGISTER

			Un-		Taxable	FICA	Total	Fed. Income	Social Secu	rity	Medicare	:
Employee's Name and SSN	Employment Type/Status	Regular Wages	allocated Tips	Misc. Wages	Misc. Wages	Misc. Wages	Taxable Wages	Tax Withheld	Wages & Tips	Tax Withheld	Wages & Tips	Tax Withheld
Elizabeth L. Strosnider		45,229.00	0.00	0.00	0.00	0.00	45,229.00	9,045.80	45,229.00	2,804.20	45,229.00	655.82
699-01-0101	Active											
Diego Garcia y Vega 234-56-7890	FICA Active	31,515.00	4,035.00	0.00	0.00	0.00	35,550.00	7,110.00	35,550.00	2,204.10	35,550.00	515.48
Alfredo G. R. Marano 345-67-8901	MQGE Active	54,000.00	0.00	0.00	0.00	0.00	54,000.00	10,800.00	0.00	0.00	54,000.00	783.00
Tae-Jin Kim 567-89-0123	FICA Active	136,000.00	0.00	0.00	0.00	0.00	136,000.00	27,200.00	65,400.00	4,054.80	136,000.00	1,972.00
Jose Schaeffer	FICA	16,183.00	0.00	18,666.67	11,200.00	9,600.00	27,383.00	5,476.60	25,783.00	1,598.55	25,783.00	373.85
456-78-9012 Lois G. Sheppard	Active-SK FICA	25,172.00	0.00	2,000.00	0.00	0.00	25,172.00	5,034.40	25,172.00	1,560.66	25,172.00	364.99
678-90-1234 John R. McNamara	Active-WC MQGE/FICA	60,500.00	0.00	0.00	0.00	0.00	60,500.00	12,100.00	30,250.00	1,875.50	60,500.00	877.25
023-45-6789 Mary V. Smith	Active FICA-Exempt	56,000.00	0.00	0.00	0.00	0.00	56,000.00	11,200.00	0.00	0.00	0.00	0.00
701-23-4567 Thomas J. Mason	Active FICA	50,000.00	0.00	150.00	150.00	150.00	50,150.00	10,000.00	50,150.00	3,109.30	50,150.00	727.18
Samuel L. Johnson	Active FICA	0.00	0.00	675.00	675.00	675.00	675.00	0.00	675.00	0.00	675.00	0.00
543-21-0987 Nicole Craig 719-54-3210	Retired FICA Retired	30,000.00	0.00	0.00	9,000.00	50,600.00	39,000.00	7,800.00	65,400.00	4,054.80	80,600.00	1,168.70
717-34-3210	MOGE	54,000.00	0.00	0.00	0.00	0.00	54,000.00	10,800.00	0.00	0.00	54,000.00	783.00
	MQGE/FICA	60,500.00	0.00	0.00	0.00	0.00	60,500.00	12,100.00	30,250.00	1,875.50	60,500.00	877.25
Total	FICA-Exempt	56.000.00	0.00	0.00	0.00	0.00	56,000.00	11,200.00	0.00	0.00	0.00	0.00
1000	FICA	334.099.00	4.035.00	21,491.67	21,025.00	61,025.00	359,159.00	71,666.80	313,359.00	19,386.41	399,159.00	5,778.02
		450,599.00	4,035.00	21,491.67	21,025.00	61,025.00	475,659.00	94,966.80	343,609.00	21,261.91	459,659.00	6,655.27
Annual Grand Total		504,599.00	4,035.00	21,491.67	21,025.00	61,025.00	529,659.00	105,766.80	343,609.00	21,261.91	513,659.00	7,438.27

Cabot Cove adjusted on line 9 of their 941 Form \$ 734.40 of employee taxes not withheld on sick pay. (\$ 9600.00 X .0765 = \$ 734.40)

### "AGENT" REPORTING

### Introduction

This section illustrates general guidelines for filing paper Forms W-2, W-3, and 941 by "agents." An entity may receive approval to be designated an "agent" by filing IRS Form 2678, Employer Appointment of "Agent" with the IRS. An "Agent" may file certain tax forms (e.g., Forms 941 and Forms W-2/W-3) using the "agent's" EIN in lieu of multiple filings under separate employer EINs. SSA and IRS prescribed reporting procedures for filing Forms 941 and W-2/W-3 by "agents." Please refer to IRS Revenue Procedure 70-6, 1970-1, C.B. 420 for complete filing instructions for "agents."

### Forms W-2

Generally, an "agent" that has an approved Form 2678 should enter its "Agent" name and address as the employer in box c of the Form W-2 (illustrated below) and file one W-2 for each employee.

```
[Name of "Agent"]
[Address of "Agent"]
```

However, if the "agent" (1) is acting as "agent" for two or more employers or is an employer and is acting as an "agent" for another employer and (2) pays Social Security wages which exceed the taxable Social Security wage base for the reporting year for an employee, then the "agent" must file separate Forms W-2 reflecting the wages paid by each employer to that employee. In these instances, when conditions (1) and (2) above exist, the "agent" should enter the following in box c of each W-2 for that employee:

```
[Name of "Agent"]
"Agent for" [Name of Employer]
[Address of "Agent"]
```

Note: Each Form W-2 should reflect the EIN of the "Agent" in box b.

### <u>Form\_W-3</u>

The "agent" should submit all employer Forms W-2 (including the "Agent's" Forms W-2, if the "Agent" is also an employer) under <u>one</u> W-3 transmittal. Form W-3, box e must contain the "Agent's" EIN; box f must contain the "Agent's" name and box g must contain the "Agent's" address. If the Forms W-2 in the submittal pertain only to <u>one</u> employer (aside from any Forms W-2 filed by the "Agent", if the "Agent" is also an employer), enter that employer's EIN in box h; otherwise do not complete box h.

### **Forms 941**

The name and EIN of the "Agent" (as registered with the IRS) should be reported on Forms 941. Each quarterly Form 941 should represent the combined wage and tax data for all employers (including the "Agent's" wage and tax data if the "Agent" is also an employer) for which the "Agent" is assuming a reporting responsibility.

### Case Scenario

The following case scenario illustrates how the Maryland Education Group, "Agent" for Millbrooke and Cedarville Schools, reports the schools' wage and tax deposit data on the Forms 941, W-3, and W-2. In the examples which follow, Millbrooke employed 3 individuals, Cedarville employed 2 individuals, and the Maryland Education Group employed 2 individuals in TY 1997. Ms. Gina Jones worked for both Millbrooke and Cedarville in TY 1997.

The Forms 941 (annual mock-up), W-3, and W-2 which follow are correct examples because they meet the following criteria for "Agent" reporting.

### Form 941 Annual Mock-Up versus Form W-3

- o Only the "agent's" EIN (i.e., The Maryland Education Group's EIN 22-2345678) and address appear on both the Form 941 annual mock-up and Form W-3.
- o The following data from the Form W-3 balance to the Form 941 annual mock-up:
  - a. Box 1, Wages, tips, and other compensation and Box 2, Federal income tax withheld;
  - b. Box 3, Social Security wages and Box 4, Social Security tax withheld; and
  - c. Box 5, Medicare wages and tips and Box 6, Medicare tax withheld.

### Form W-3 versus Forms W-2

- o The Maryland Education Group reported their employee's Forms W-2 together with Forms W-2 for Millbrooke and Cedarville employees under one Form W-3 submission.
- o The Maryland Education Group left Form W-3, Box h (Other EIN used this year) blank because they were reporting as an "Agent" for more than one employer.
- o The Form W-3, Boxes f and g properly contain only the Maryland Education Group's name and address respectively.

- o Regarding the Forms W-2 for Millbrooke and Cedarville employees:
  - a. Box b contains The Maryland Education Group's EIN (i.e., 22-2345678);
  - b. Box c contains only the Maryland Education Group's address except in Gina Jones' case. Gina Jones' W-2 forms identify the Maryland Education Group on the first line followed by the words "Agent for" (Millbrooke and Cedarville) on the second line, and the Maryland Education Group's address on the next lines.
  - c. Gina Jones is reported on two separate Forms W-2 in the same W-3 submission (i.e., on one Form W-2 for Millbrooke employment and on another Form W-2 for Cedarville employment). This is because she was paid by more than one employer and her total wages exceeded the Social Security wage base for 1997.
- The sum of the following boxes on the Forms W-2 balance to corresponding boxes on the Form W-3:
  - a. Box 1, Wages, tips, and other compensation and Box 2, Federal income tax withheld;
  - b. Box 3, Social Security wages and Box 4, Social Security tax withheld; and
  - c. Box 5, Medicare wages and tips and Box 6, Medicare tax withheld.

Note: For ease of illustration, the facsimile Form 941 which follows only portrays an "annual mock-up" and is intended to show that the Form 941 should contain the "agent's" name, EIN, and address when reporting on behalf of other employers in an "Agent" capacity. Forms 941 must be filed quarterly - not annually.

### Annual Mock-up, Form 941 as reported by an "Agent"

Form 941
(Rev. January 1997)
Department of the Treasury
Internal Revenue Service (O)
4141

### **Employer's Quarterly Federal Tax Return** See separate instructions for information on completing this form.

Please type or print.

Enter state code for	Name(as o	distinguished from trade name)	Date quarter ended	OMB No. 1545-0029 T FF
state in	THE MAI	RYLAND EDUCATION GROUP		FD
which deposits made .	Trade nan	ne, if any	Employer identification	number FP I T
(see			22-2354678	
page 3 of instructions).	`	number and street)	City, state, and ZIP cod	e
	456 Agen	ts Drive	Owings Mills, MD 211	17
If address is different from prior			3 3 3 3 4 4 4	
return, check here	5 5 5	6 7 8 8 8 8 8 8	9 9 9 10 10 10 10 10	10 10 10 10 10
If you do not	have to file retu	irns in the future, check here	and enter date final	wages paid
If you are a se	asonal employe	er, see Seasonal employers on page 1 of th	ne instructions and check here.	
1 Number of	of employees (e	xcept household) employed in the pay per	riod that includes March 12th.	7
3 Total inco	ome tax withhe	ject to withholding, plus other compensated from wages, tips, and sick payincome tax for preceding quarters of caler		
6 Taxable s Taxable s 7 Taxable M 8 Total soc	social security versical security to Medicare wages ial security and	tax withheld (line 3 as adjusted by line 4 vages	235000 00 X12.4 X12.4 235000 00 X 2.99 . Check here if wages	%(.124) = 6b 29140 00 %(.124) = 6d %(.029) = 7b 6815 00
9 Adjustme	ent of social sec	security and/or Medicare tax urity and Medicare taxes (see instructions Fractions of Cents \$	for required explanation)	= 9 35955 00
10 Adjusted	total of social	security and Medicare taxes (line 8 as adju	usted by line 9see instructions	10 35955 00
11 Total tax	es (add lines 5	and 10)		
12 Advance	earned income	credit (EIC) payments made to employee 12 from line 11). This should equal line 17	es, if any	12
(or line	D of Schedule	B (Form 941))	, column (a) below	
14 Total dep	posits for quarte	er, including overpayment applied from a	prior quarter	
16 Overpay	due (subtract linement, if line 14 c if to be	ne 14 from line 13). See instructions is more than line 13, enter excess here Applied to next return OR Re	\$ funded.	15
o Semi	weekly schedul	is less than \$500, you need not complete l le depositors: Complete Schedule B and c epositors: Complete line 17, columns (a) t	heck here	
		ederal Tax Liability.	// \ [D] * 1	(1) TP + 11' 1 '1' - C
(a) First mont	h liability	(b) Second month liability	(c) Third month liability	(d) Total liability for quarter
Unde	r penalties of pe	erjury, I declare that I have examined this	return, including accompanying	schedules and statements, and
<b>Sign</b> to the	best of my kno	owledge and belief, it is true, correct, and o	complete.	
Here			Print Your	
Signa		t Notice see page Lot separate instruction	Name and Title	Date

a Control number		For Official V	T OI			
a Control number			•			
		OMB No. 15	45-0008			
b				1 Wages, tips, of	her compensation	2 Federal income tax withheld
	941	Military	943			
Kind	X			235000.	00	47000.00
of			Medicare	3 Social security	wages	4 Social security tax withheld
Payer	CT-1	Hshld.	govt. emp.	232700.	00	14570.00
c Total number of	statements	d Establishm	ent number	5 Medicare wag	es and tips	6 Medicare tax withheld
7				235000.		3407.50
e Employer's inde	ntification number			7 Social security		8 Allocated tips
	2354678			/ Social security	ups	8 Anocated tips
f Employer's name				9 Advance EIC		10 Dependent care benefits
1 Employer's name	THE MARYLAN	ID EDUCATIO	N GROUP	9 Advance EIC	payments	To Dependent care benefits
	THE WARTEA	ID LDUCATIO	N GROOT	11 Nonqualified	nlana	12 Deferred Compensation
				11 Nonquamileu	pians	12 Deferred Compensation
	ASC A CENTER DI	DIVE				
	456 AGENTS DI			10		
	OWINGS MILLS	S, MD 21217		13		
				14		
g Employer's addi	ess and ZIP code					
h Other EIN used	this year			15 Income tax w	ithheld by third-par	ty payer
i Employer's state	I.D. No.					
Under penalities of p	J .	I have examine	d this return and acc	ompanying documents	, and to the best of 1	ny knowledge and belief,
Signature		F	Γitle			Date
Telephone number	( )					Department of the Treasury
	ansmittal of Wa	oge and Tav	Statements 199	7		Internal Revenue Service
1 OIIII 77 - 3 1 1	ansimical of 44 c	ige and I an	Diamento 1//	1		internal Nevellue Service

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b Employer's ident 22-2354		r		1 Wages, tips, other compensation 25000.00	2 Federal income tax withheld 5000.00		
c Employer's name		IP code		3 Social security wages	4 Social security tax withheld		
	, –			25000.00	1550.00		
THE M	ARYLAND ED	UCATIO	N GROUP	5 Medicare wages and tips	6 Medicare tax withheld		
Agent fo	or MILLBROO	KE SCHO	OOL				
	ENTS DRIVE			25000.00	362.50		
OWING	GS MILLS, ME	21117		7 Social security tips	8 Allocated tips		
d Employee's socia	al security numb	er		9 Advance EIC payment	10 Dependent care benefits		
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e Employee's name		nitial, last	:)	11 Nonqualified plans	12 Benefits included in box 1		
GINA J	ONES						
765.01	TON ST.			. 13 See instrs for Box 13	14 Other		
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W-2	Statement	inistrati	1997		see separate instructions.		
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Copy A For Socia	1 Security Adm	Void	For Official Use	•	see separate instructions.  2 Federal income tax withheld		
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a Control number  b Employer's ident 22-235-c Employer's name  THE M 456 AG OWING  d Employee's socia 277-18-e Employee's name	22222 ification number 4678 c, address, and Z ARYLAND ED ENTS DRIVE GS MILLS, ME	Void  Tr  CIP code  UCATIO  21117	For Official Use OMB No. 1545 ON GROUP	-0008  1 Wages, tips, other compensation	2 Federal income tax withheld 13000.00 4 Social security tax withheld 4030.00 6 Medicare tax withheld 942.50 8 Allocated tips		
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a Control number b Employer's ident 22-2354 c Employer's name THE M 456 AG OWING d Employee's socia 277-18- e Employee's name BRIAN	22222 ification number 4678 c, address, and Z ARYLAND ED ENTS DRIVE GS MILLS, ME al security number 1210 c (first, middle in HARDY	Void Tr CIP code OUCATIO D 21117 Der nitial, last	For Official Use OMB No. 1545 ON GROUP	-0008  1 Wages, tips, other compensation 65000.00  3 Social security wages 65000.00  5 Medicare wages and tips 65000.00  7 Social security tips  9 Advance EIC payment  11 Nonqualified plans	2 Federal income tax withheld 13000.00 4 Social security tax withheld 4030.00 6 Medicare tax withheld 942.50 8 Allocated tips 10 Dependent care benefits 12 Benefits included in box 1 14 Other  Legal Hshld. Subtotal Deferred		
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Wage and Tax

W-2 Statement 1997

Department of the Treasury-Internal Revenue Service
For Paperwork Reduction Act Notice,

see separate instructions.

Cat. No. 10134D

a Control number	.	Voi	d 1	For Official U	se C	nlv						
	22222	]		OMB No. 154		•						
b Employer's idea	ntification n	umber				1 Wages, tips, o	other comp	ensation		2 Federal i	ncome	e tax withheld
22-23:	54678					2700	00.00					5400.00
c Employer's nan	ne, address,	and ZIP	code			3 Social securit	y wages			4 Social security tax withheld		
						2700	00.00					1674.00
THE N	MARYLAN	D EDU	CATION	GROUP		5 Medicare was	ges and tip	S		6 Medicare	tax w	ithheld
456 A	GENTS DR	RIVE				2700					391.50	
OWINGS MILLS, MD 21117						7 Social securit			8 Allocate	l tips		
d Employee's social security number 218-36-5472						9 Advance EIC	payment			10 Depend	ent car	re benefits
e Employee's nan RICH	ne (first, mic		ial, last)			11 Nonqualifie			12 Benefits included in box 1			
157 V	ETS ST.					13 See instrs fo	r Box 13			14 Other		
BALT	IMORE, M	D 2122	9									
						15 Statutory employee	Deceased	Pension plan	Lega	l Hshld.	Sub	total Deferred Compensation
f Employee's add	dress and ZI	P code							Гер			
16 State Empl	oyer's state	ID No	17 State	wages tips etc	18	State income ta	t 19 Loca	ality name	20 Lo	cal wages t	ips etc	21 Local income tax
					ļ					•••••		
					Ca	t. No. 10134D		Departn	nent of	the Treasur	y-Inte	rnal Revenue Service
	Wage an	d Tax							For	Paperwor	k Red	uction Act Notice,
W-2	Statemen	nt		1997						see separa	te inst	tructions.

Copy A For Social Security Administration

a Control number		Void	For Official U	se O	nly						
	22222		OMB No. 154	5-00	08						
b Employer's identification number				1 Wages, tips, other compensation				2 Federal income tax withheld			
22-2354	678				420	00.00		8400.00			
c Employer's name, address, and ZIP code			3 Social security wages				4 Social security tax withheld				
					42000.00			2604.00			
THE MA	ARYLANAND I	EDUCAT	ION GROUP		5 Medicare wages and tips				6 Medicare tax withheld		
Agent fo	or CEDARVILLI	E SCHOO	)L		42000.00				609.00		
456 AG	ENTS DRIVE				7 Social securi	ty tips			8 Allocated tips		
OWING	S MILLS, MD	21117									
d Employee's social security number				9 Advance EIC payment			10 Dependent care benefits				
246-81-											
e Employee's name (first, middle initial, last)			11 Nonqualified plans				12 Benefits inc	cluded in box 1			
GINA JONES											
					.13 See instrs f	or Box 13			14 Other		
765 CATON ST.											
BALTIMORE, MD 21202											
					15 Statutory	Deceased	Pension	Leg	al Hshld. S	ubtotal Deferred	
			employee		plan	rep	emp.	Compensation			
f Employee's address and ZIP code											
16 State Employ	er's state ID No	17 Stat	e wages tips etc	18	State income ta	x 19 Loca	lity name	20 Lc	ocal wages tips	etc 21 Local income tax	
	•••••		••••••								
				Cat	No. 10134D	D <sub>6</sub>	enartment (	of the '	Freasury-Intern	al Revenue Service	

Wage and Tax

W-2 Statement 1997 For Paperwork Reduction Act Notice,

see separate instructions.

a Control number	22222	Void			r Official Use Only MB No. 1545-0008									
						1 Wages, tips, other compensation					2 Federal income tax withheld			
22-2354678					24000.00					4800.00				
c Employer's name.	, address,	and ZIP c	ode		3 Soc	3 Social security wages					4 Social security tax withheld			
						24000.00				1488.00				
THE MA	ARYLAN	D EDUC	ATION	GROUP	5 Me	5 Medicare wages and tips					6 Medicare tax withheld			
456 AGI	ENTS DI	RIVE				24000.00					348.00			
OWING	S MILLS	S, MD 21	117		7 Soc	7 Social security tips			8	8 Allocated tips				
d Employee's social security number				9 Adv	9 Advance EIC payment			1	10 Dependent care benefits					
654-78-9	-						1 2			•				
e Employee's name (first, middle initial, last)			11 No	11 Nonqualified plans			1	12 Benefits included in Box 1						
DEBORAH KING				.1.3 See instrs for Box 13				1101						
					1.1.3 Se	e instrs f	or Box 13		1	4 Other				
	ADWAY													
BALTIN	MORE, M	ID 21229			1.7.0				<u>, l</u> ,		a 1	15.0	_	
			I	atutory	Deceased	Pension	Legal		Subtot	al Deferred				
C. T	1.77	D 1			en	ployee		plan	rep	emp.		Compensation	ı	
f Employee's address and ZIP code														
16 State Employ	er's state	ID No 1	7 State	wages tips etc	18 State i	ncome ta	x 19 Loca	lity name 2	0 Loca	al wages tip	s et¢21	Local income to	ìΧ	
ļ														
					Cat. No. 1	0134D	D <sub>6</sub>	enartment of	the Tr	easury_Inte	rnal Re	evenue Service	Ш	
Wage and Tax					Cut. 110. 1	01340	Ъ.	•		•		on Act Notice,		

W-2 Statement

1997

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Copy A For Social Security Administration

a Control number Void For Official U	Use Only				
22222 OMB No. 15	545-0008				
b Employer's identification number	1 Wages, tips, other compensation 2 Federal income tax withheld	2 Federal income tax withheld			
22-2354678	19000.00 3800.00	3800.00			
c Employer's name, address, and ZIP code	3 Social security wages 4 Social security tax withheld	4 Social security tax withheld			
	19000.00 1178.00				
THE MARYLAND EDUCATION GROUP	5 Medicare wages and tips 6 Medicare tax withheld	6 Medicare tax withheld			
456 AGENTS DRIVE	19000.00 275.50	275.50			
OWINGS MILLS, MD 21117	7 Social security tips 8 Allocated tips	8 Allocated tips			
d Employee's social security number	9 Advance EIC payment 10 Dependent care benefits	10 Dependent care benefits			
323-82-7224					
e Employee's name (first, middle initial, last) BILL NEWSOME	11 Nonqualified plans 12 Benefits included in box 1	12 Benefits included in box 1			
2105 MISSION WAY BALTIMORE, MD 21202					
	15 Statutory Deceased Pension Legal Hshld. Subtotal Defer	rred			
f Employee's address and ZIP code	employee plan rep emp. Com	pensation			
16 State Employer's state ID No   17 State wages tips et	etc 18 State income tax 19 Locality name 20 Local wages tips etc21 Local	income tax			
	Cat. No. 10134D Department of the Treasury-Internal Revenue S	Service			

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service

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Wage and Tax

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a Control number Void	For Official Use Only								
22222	OMB No. 1545-00	DMB No. 1545-0008							
b Employer's identification number	1 Wages, tips, other compensation			2 Federal income tax withheld					
22-2354678	33000.00			6600.00					
c Employer's name, address, and ZIP code		3 Social security wages			4 Socia	4 Social security tax withheld			
		33000.00				2046.00			
THE MARYLAND EDUCATION	N GROUP	5 Medicare wages and tips			6 Medi	6 Medicare tax withheld			
456 AGENTS DRIVE		33000.00				478.50			
OWINGS MILLS, MD 21117		7 Social secur	rity tips		8 Alloc	8 Allocated tips			
d Employee's social security number		9 Advance EIC payment		10 Dependent care benefits					
356-39-5462									
e Employee's name (first, middle initial, last)	11 Nonqualified plans			12 Ben	12 Benefits included in box 1				
KEVIN SMITH									
	.1.3 See instrs i	for Box 13		14 Oth	er				
19 BANKIT CT.									
WOODLAWN, MD 21244									
		15 Statutory	Deceased	Pension	Legal	Hshld.	Subto	tal Deferred	
		employee		plan	rep	emp.		Compensation	
f Employee's address and ZIP code									
16 State Employer's state ID No 17 Stat	e wages tips etc 18	State income t	ax 19 Loca	lity name	20 Local	wages tij	ps etc2	1 Local income tax	

Cat. No. 10134D

Department of the Treasury-Internal Revenue Service

Wage and Tax

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# APPENDIX A: TELEPHONE NUMBERS FOR THE SOCIAL SECURITY ADMINISTRATION'S REGIONAL MAGNETIC MEDIA SPECIALISTS

### NOTE: THESE ARE NOT TOLL-FREE NUMBERS

Social Security personnel at these telephone numbers can help callers with questions about how to submit **W-2s on magnetic media**. Refer to Internal Revenue Service (IRS) Publication 393, "Federal Employment Tax Forms" for instructions on filing **paper W-2s/W-3s**. Employers, payroll services or an "agent" filing W-2s for employers may telephone the IRS Martinsburg Computing Center call site at (304) 263-8700 with employment tax questions.

Calls from:	<b>Telephone:</b>	Calls from:	<b>Telephone:</b>
Alabama	(334) 223-7020 (Montgomery)*	Nebraska (8	16) 426-2095 (Kansas City)
Alaska	(206) 615-2125 (Seattle)	Nevada (4	15) 744-4559 (San Francisco)
American Samoa	(415) 744-4559 (San Francisco)	New Hampshire (6	17) 565-2895 (Boston)
Arizona	(415) 744-4559 (San Francisco)	New Jersey (2	12) 264-5643 (New York)
Arkansas	(501) 324-5466 (Little Rock)	New Mexico (5	05) 262-6048 (Albuquerque)
California	(415) 744-4559 (San Francisco)	New York (2	12) 264-5643 (New York)
Colorado	(303) 844-2364 (Denver)	North Carolina (9	19) 790-2804 (Raleigh)*
Connecticut	(617) 565-2895 (Boston)	North Dakota (3	03) 844-2364 (Denver)
Delaware	(215) 597-4632 (Philadelphia)	Ohio	12) 575-4244 (Chicago)
Dist. of Columbia	(215) 597-4632 (Philadelphia)	Oklahoma (4	05) 951-3007 (Oklahoma City)
Florida-North	(850) 942-8975 ext. 3035	Oregon (2	06) 615-2125 (Seattle)
	(Tallahassee)*	Pennsylvania (2	15) 597-4632 (Philadelphia)
Florida-South	(305) 672-4517 (Miami Beach)*	Puerto Rico (7	87) 766-5574 (San Juan)
Georgia	(404) 730-3553 (Atlanta)*	Rhode Island (6	17) 565-2895 (Boston)
Guam	(415) 744-4559 (San Francisco)	South Carolina (8	03) 629-8601 (Florence)*
Hawaii	(415) 744-4559 (San Francisco)	South Dakota (3	03) 844-2364 (Denver)
Idaho	(206) 615-2125 (Seattle)	Tennessee (6	15) 896-9430 (Murfreesboro)*
Illinois	(312) 575-4244 (Chicago)	Texas-Central/South (2	10) 472-6433 (San Antonio)
Indiana	(312) 575-4244 (Chicago)	Texas-Dallas County (2	14) 767-6777 (Dallas)
Iowa	(816) 426-2095 (Kansas City)	Texas-North (8	17) 978-3123 (Fort Worth)
Kansas	(816) 426-2095 (Kansas City)	Texas-Southeast (7	13) 718-3015 (Houston)
Kentucky	(502) 875-8315 (Frankfort)*	Texas-West (5	05) 262-6048 (Albuquerque)
Louisiana	(504) 389-0426 (Baton Rouge)	Utah	03) 844-2364 (Denver)
Maine	(617) 565-2895 (Boston)	Vermont (6	17) 565-2895 (Boston)
Maryland	(215) 597-4632 (Philadelphia)	Virgin Islands (7	87) 766-5574 (San Juan)
Massachusetts	(617) 565-2895 (Boston)	Virginia (2	15) 597-4632 (Philadelphia)
Michigan	(312) 575-4244 (Chicago)	Washington (2	06) 615-2125 (Seattle)
Minnesota	(312) 575-4244 (Chicago)	West Virginia (2	15) 597-4632 (Philadelphia)
Mississippi	(601) 693-4859 (Meridian)*	Wisconsin (3	12) 575-4244 (Chicago)
Missouri	(816) 426-2095 (Kansas City)	Wyoming(3	03) 844-2364 (Denver)
Montana	(303) 844-2364 (Denver)	* or Atlanta (404) 562-1	314



### APPENDIX B: IRS/SSA PUBLICATIONS

There are other IRS and SSA publications which can help employers file wage reports. Several key publications from each Agency are listed below.

### **IRS Publications**

- o Employer's Tax Guide, Publication 15 (Circular E)
- o Employer's Supplemental Tax Guide, Publication 15-A
- o Farmer's Tax Guide, Publication 225
- o Tax Guide for Small Business, Publication 334
- o Federal Employment Tax Forms, Publication 393
- o Reporting Back Pay and Special Wage Payments to the Social Security Administration, Publication 957
- o Rules for Filing & Specifications for the Private Printing of Substitute Forms W-2 and W-3, Publication 1141
- o Specifications for Private Printing of Substitute Forms W-2c and W-3c, Publication 1223

For copies of these and other IRS publications, please contact the local IRS office listed in your telephone directory or call Toll Free 1-800-829-3676 to request this information.

### **SSA\_Publications**

o Employers Guide to Filing Timely and Accurate W-2 Wage Reports

For copies of this publication, please contact your regional SSA magnetic media specialist listed in Appendix A.

o Software Specifications and Edits for Correcting Annual Wage Reports, Publication No. 31-031.

You can obtain copies of this SSA publication by:

Using a personal computer and modem to access either the SSA-BBS at (410) 965-1133 or the IRS-BBS at (304) 264-7070. Internet subscribers can read and print this publication directly from the Employer Information section of SSA Online @WWW.SSA.GOV.

Forward written requests to:

Social Security Administration
Office of Financial Policy and Operations
ATTN: AWR Software Standards
P.O. Box 17195
Baltimore, MD 21297-1195